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NEWS SUMMARY

GENERAL

Pope reaches his 'goal'

...arty 400,000 pilgrims poured ...o the tiny village of Knock ...o welcome Pope John Paul II ...at what he has called "the goal ...of my journey to Ireland."

The scenes at ... the country's national Marian ... shrine were the ... extraordinary and ... ational pastoral ... visit.

There was loud ... applause as he stepped from his helicopter, and ... time he spoke ... to the crowd. ... to the 2,100 invalids gathered inside the modern basilica. The Pope's pilgrimage ... reason for his ... was the formal ... journey to Ireland. Back Page

Rhodesia raids

... ZIMBABWE Rhodesian forces continued their raids on Patriotic Front guerrilla targets in Mozambique for the fourth day, but no details were given. Security forces killed 12 guerrillas in internal operations. Conference report, Page 2

Karamanlis visit

Greek Premier Constantine Karamanlis, whose country's relations with NATO and the U.S. are at a low ebb, today begins the first visit to the Soviet Union by a Greek Prime Minister.

Typhoon havoc

Typhoon Owen hit west Japan with ... up to 80 mph ... causing damage to homes and ... landslides. Several ... people were injured and Prime Minister ... cancelled election meetings.

Mao honoured

Chinese leaders ... today ... years Communist rule ... ekingaquet ... 30 ... the late Chairman Mao ... proclaimed ... for 27 ... cultural ... as a ... Congress, Feature, Page 14

Rugby tour m...

A pressure group, the ... League of Southern Africa ... a High Court in ... stop ... apartheid ... disrupt ... controversial tour by the African Barbarians rugby ... which arrives in Britain ...

Times talks

Times Newspaper management representatives meet in ... today for what could be ... series of talks leading to ... ation of the company's ... which have been suspended ... 11 months. Page 4

Royal tribute

A telegram from the ... Mother was among hundreds of ... tributes and messages of sympathy received by ... Gracie Fields' husband ... Alperovici.

Iran bomb blast

Guerrillas blew up a ... cation station in south-west ... cutting telephone links ... port of Khorramshahr ... oil refinery town of ... Earlier, two Arabs were executed at the port for links with foreign ... Army purge call, Page ...

Faster trains

FASTER services will ... from London to ... Country next Monday ... British Rail adds 14 ... City 125 trains to ... Region fleet of 22. ...

The fastest run by ... dington and Exeter ... hr 15 minutes, an ... will be 20 minutes ... Penzance run will ... faster.

Briefly ...

Two groups of ... Basque country ... investigate a ... on each other ... officer and wounded ...

Canadian public ... the World Bank ... from a hotel ... Belgrade.

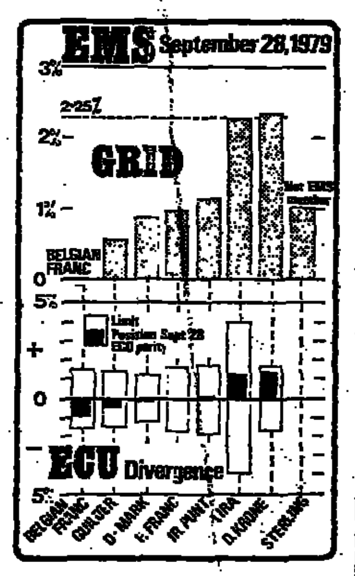
Dozens of rare ... being electrocuted ... without power ... republic, Soviet ...

Man choked to death ... sausage-eating contest ... turk...

BUSINESS

Danish Krone heads EMS

● THE DANISH krone became the strongest member of the European Monetary System by the end of last week, replacing the Italian lira, following the realignment at the beginning of the week which devalued the krone by 3 per cent against all other members except the D-mark. The German currency was revalued by 2 per cent against most, members, but 5 per cent against the krone: expectations of such a move had put pressure on exchange rates for several weeks.



The Belgian franc has become the weakest member of the EMS, touching its allowed divergence ... against the krone on Thursday. On Friday the Belgian National Bank gave a boost to interest rates on Treasury certificates, although the discount rate remains at 9 per cent.

● U.S. FEDERAL Trade Commission is seeking to block the proposed takeover by Mannesmann, the West German steel concern, of Harnischfeger, the U.S. mining equipment and crane manufacturer. Back Page

● OPEC president, Dr. Mana al-Otaiba, United Arab Emirates oil minister, has said he will resist pressure to raise oil prices in January, and is opposed to any immediate move to replace the dollar as the basic oil payments currency. Back page

● ITT expects further losses this year in its consumer products division, larger than the $11m lost last year, and is likely to announce further closures at European plants in the near future.
Back Page; News Analysis, Page 4

BL chairman meets unions

● BL CHAIRMAN, Sir Michael Edwardes, will meet union leaders today to discuss his plan to shut factories and lose more than 25,000 jobs. An emergency committee of the CSEU has called for a mass demonstration by BL workers in London on October 9 and the ... is to give official support ... any BL workers who choose ... fight the company's ... rationalisation moves.

● SHORTAGE of skilled ... is limiting the growth of ... small and medium-sized ... companies, and may be getting ... the CBI has warned.

● ... P, the oil subsidiary of the Italian group ENI, has ... exploration and production-sharing agreement with ... Page 3

● ESSO Chemicals is facing an ... bill for its planned ... chemicals plant at Moss... Fife because of the ... cuts in regional ... grants. Page 4

● BRITAIN should become a ... crude oil exporter on a ... next year, with a ... in its balance ... compared with an ... this year. Page 4

COMPANIES

● ... BOYD, the Swedish ... channel ferry ... put up for ... parent company, ...

● STELRAD, the Metal Box ... which makes central ... expects the ... division of the ... AGA ... expanding ... present about ... Page 16

Executive's defiance has started battle, warns Callaghan

BY RICHARD EVANS, LOBBY EDITOR, IN BRIGHTON

Mr. James Callaghan's authority as Leader of the Labour Party will be put on trial at this week's party conference after open defiance of his wishes by Labour's National Executive Committee in Brighton yesterday.

Crucial decisions by the NEC, Labour's ruling body—to take three constitutional proposals to a vote despite Mr. Callaghan's warning that this would lead to a bitter internal struggle—triggered a furious outburst from the party Leader.

Mr. Callaghan regretted that he had "so little influence" on the majority of the NEC, and warned: "The decisions will not rest here. You have started a battle that will go on."

The scene is therefore set this week for the most serious internal feuding since the Bevanite rows in the 1950s. On the outcome will depend the shape and direction of the Labour Party in the 1980s.

Mr. Callaghan will spell out his strategy when he addresses the conference tomorrow, before the constitutional resolutions are debated. The indications are that facing defeat on one or more of them, he will do all in his power to ensure that the wide-ranging enquiry into the party now being set up will undo the damage.

But this remains a very open question. Unless there is a change in the composition of the NEC this week the prospect is that the inquiry will be con-

The battle for control between Left and Right centres on three issues, the framing of the party manifesto, election of the party Leader and automatic reselection of sitting Labour MPs. Changes affecting all three are to be voted on this week, and the outcome still depends on decisions to be taken by the major trade unions.

Observers believe that the Left will win on compulsory reselection of MPs, but it still remains unclear whether their attempts to change the rules on the election of a party Leader and on drafting of a manifesto will succeed.

After a long wrangle at yesterday's eve-of-conference NEC, Mr. Callaghan said he was deeply disappointed at the decision taken, and he would spell out in his conference speech the support he had from Labour MPs urging no vote, but reference to the coming inquiry.

With biting sarcasm he declared that the majority of the executive would be excused from giving him a standing ovation.

There is little doubt that Mr. Callaghan's credibility as Leader has been gravely damaged, and might not recover should he lose the constitutional votes. The party is now in disarary, and it seems likely that the constitutional fight for control of the party will continue for some time.

The key votes in the NEC for changes in methods of drafting th manifesto were won by the Left by 16 votes to ten, despite warnings from Mr. Callaghan that it was not practical to have the manifesto controlled by the party conference.

Mrs. Shirley Williams and Mr. Fred Mulley urged that the resolution proposing changes be remitted to the inquiry, but a majority of the Left forced the vote.

Another resolution for conference calls on the party to declare that sections of nationalised industries hived off by the Conservative Government will betaken back into public ownership without compensation when Labour returns to power.

There is also a demand that the NEC prepare a comprehensive policy statement outlining socialist planning measures to be adopted by the next Labour Government, including public control of those industries vital to the national economy.

Foreign Affairs spokesman, called on the party last night for a campaign to reform the Common Market.

Days lost in strikes, Page 4

Engineers' vote

The Engineering union is to cast its vote in favour of control of the Labour Party manifesto passing to the party's national executive. It will also vote for the mandatory reselection of MPs. But its vote will be cast against the way the party leader is elected.

Back Page

Striking engineers may be offered more holiday

BY NICK GARNETT, LABOUR STAFF

NEGOTIATORS FOR the Engineering Employers' Federation appear to have decided that an improvement in their offer on holidays has to be made in the face of the fifth two-day national strike which began today.

The possibility has been discussed of offering an extra two or three days' holiday instead of the one day next year which employers had earlier indicated might be available.

Since employers are thinking in terms of a long phasing-in period and as the concession itself is relatively small, it is questionable whether such a new offer would even approach what the unions might be prepared to accept.

Unoin officials have indicated that they would be prepared to consider an extra five or six day's holiday in place of the original demand for a 39-hour week. The claim, however, already includes two extra days' holiday on top o fthe 39-hour demand and the unions want concessions on the issue to be implemented this year.

The slight shifting of position within the federation, however, seems to reflect pressure from the federation's member companies for negotiations to be resumed as quickly as possible.

The strikes have been having worsening effect. The August figures of working days lost through industrial stoppages were the highest monthly total since the miners' dispute of February, 1972. This was almost solely because of the earlier series of one-day strikes in the engineering industry.

On the basis of estimates by the Department of Employment, the engineering dispute has helped push the figure for working days lost in the first eight months of this year higher than any 12-month period since 1974.

Disclosure of an internal memorandum from Sir Arnold Weinstock, managing director of GEC, questioning the relevance of national negotiations for his company has brought considerable anxiety to many federated companies.

This is in spite of a strongly worded letter about the persistent dispute from Sir Arnold to Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers and sent to the Press.

The letter says that it would be wrong to view the memorandum as "a weakening of our support for the EEF in its refusal to submit to the irrational demands of the Confederation of Shipbuilding and Engineerin gUnions, based on the escalating application of force, irrespective of the short and long-term consequences to the industry and to its employees."

"It is the out-of-date gladitorial process which the CSEU instituted with its claim that we do not find attractive."

Some of the feeling in Sir Arnold's letter was echoed yesterday by Sir John Boyd, general secretary of the AUEW.

The union's members were suffering "a most vicious premeditated attack on their freedom to strike." Sir John says in an editorial in the union's journal.

The employers' federation had shown "venom and hatred" towards the trade unions. Its aim was to "impoverish the workers into submission and bleed the unions to death."

The federation's negotiators, while now prepared to have an early meeting with the unions, are still seeking signs that the unions are prepared to make further concessions on their negotiating position. So far the federation has not been prepared to resume talks unless the unions do that.

Industrial output slowing, say business surveys

BY DAVID FREUD

INDUSTRIAL OUTPUT appears to be slowing after the buoyant level of activity in the early summer, according to two business surveys published today.

The Confederation of British Industry trends inquiry for September says that level of activity is lower than reported in July. The FT Business Opinion Survey found more companies working below planned output levels.

Several surveys in the last two months or so found evidence of a fall-off in orders, but this is the first clear indication that output has begun to respond to weakening of demand. An additional reason for the downturn was the engineering dispute.

The findings tend to support earlier suggestions by CBI economists that there was a turning point in the economy in the late summer.

This interpretation is further supported by last week's official labour market figures. These showed that vacancies notified to employment offices, generally a reliable early pointer to demand for labour, had fallen for the third consecutive month.

Both surveys found a sharp loss in confidence among businessmen and widespread expectations of a recession in the next 12 months.

Companies appear to face the prospect with a determination to keep their level of stocks down, possibly the key reason why the level of output has reflected the fall in demand so quickly.

The CBI found that although total order books had weakened in September there was no further increase in the number of companies which thought their stocks of finished goods more than adequate. The balance of companies reporting above rather than below adequate stocks of finished goods remained at 5 per cent, close to last year's average.

The FT survey reported an increase in the number of companies whose stocks were too high, and a greater determination, compared with earlier months, to reduce stock levels over the coming year.

According to the FT survey the second main reaction to the fall in demand has been a further sharp drop in expectations over labour requirements.

Its index shows that about 14 per cent more companies expect their labour forces to fall in the next 12 months than expect them to rise, compared with about 5 per cent typical over the previous three months.

Prospects for capital expenditure are less clear-cut. Both surveys suggest a reluctance to cut the level of investment, especially in the near-term, though the CBI said future plans might be revised downward.

The FT survey says that the mean reasons for the fall in confidence were the expected recession, high interest and sterling exchange rates, and continued rises in inflation. The engineering dispute also had an impact.

Compared with the previous month's findings, businessmen expected lower profits, output, and orders, and higher wages and unit costs in the next 12 months.

The CBI inquiry, in the first three weeks of September and covering 1,969 manufacturing companies, found that the

Continued on Back Page

German Minister says $ needs no more aid

BY JONATHAN CARR IN BONN

HERR HANS MATTHOEFER, the West German Finance Minister, has said he believes that no new, major support actions are likely to be needed to stabilise the dollar.

He feels the Deutschemark is over-valued by between 20 and 30 per cent against the U.S. currency.

Herr Matthoefer was speaking after the meeting at the weekend in Hambourg between U.S. and German leaders, during which both sides reiterated their resolve to combat unwarranted and erratic movements in the foreign exchange markets.

They said they believed they had sufficient intervention funds for the purpose, although Herr Matthoefer's later comments indicated he felt these would not be needed.

Weakness

A joint statement stressed that some of the fundamental reasons for the dollar's weakness would be corrected before long, with the U.S. promising that "a single digit inflation rate as well as a current account surplus will be reached in coming months."

The West Germans said their current account surplus would be eliminated soon.

Those attending the meeting included Chancellor Helmut Schmidt, Herr Matthoefer, Dr. Otmar Emminger, the Bundesbank president, and on the U.S. side, Mr. William Miller, treasury secretary, and Mr. Paul Volcker, chairman of the Fed.

The gathering took place after a hectic week on the currency markets, with the dollar dropping on Friday in Frankfurt to DM 1.7425 — the lowest level ever this year. But the meeting had been arranged some weeks earlier, before the most serious dollar unrest began.

In spite of the encouraging words in the joint statement, German officials in Government and the private banking sector are privately more sceptical. It is agreed that there are clear signs of improvement in the U.S. current account. But the officials question whether the battle against inflation can be pursued with sufficient vigour in a U.S. election year.

Stability optimism on eve of IMF meeting Back Page

Shell Oil wins bidding for Belridge

BY DAVID LASCELLES IN NEW YORK

SHELL OIL, the 69 per cent owned U.S. subsidiary of Royal Dutch Shell, is poised to make what is likely to be the biggest takeover ever seen in the U.S.

The company announced at the weekend it had won the bidding for Belridge Oil, an obscure but oil-rich Californian company, for a sum which could be as high as $3.65bn (£1.66bn). However, the exact price will not be known until Belridge decides which of three takeover options presented by Shell it will accept.

All that is so far certain is that Belridge will accept one of them by October 17.

One option is a tender offer, the other two mergers. While full details have not been published, Shell said they ranged in value from $3,411 per share to $3,665. Belridge has just under a million shares outstanding, so the deal has a potential value of between $3.4bn and $3.65bn.

The biggest previous takeover in the U.S. was General Electric's $2.1bn bid for Utah International in 1976.

However, Shell said while its actual cash outlay could be as high as $3.65bn, it could also be as low as $2bn, presumably because its offer allows for a possible exchange of shares. Shell said it would seek substantial external financing for the takeover since it did not want to disrupt its existing spending plans.

The takeover will go through only if Shell gets more than 59 per cent of Belridge's shares.

Belridge is a family controlled business, largely owned by 100 or so descendants of three Californian land speculators who founded the company in 1911. For the past 40 years, two of the biggest U.S. oil groups — Texaco and Mobil — have held between them some 35 per cent of Belridge. This could lead to a snag to the deal.

Withdraw

Mobil and Texaco are loth to part with this interest. Thetwo companies made a joint bid for the rest of Belridge's shares when it solicited bids earlier in mid-September and they also struck an agreement with some other bidders to share the spoils if any of them won.

Shell was not a party to this deal, though, and Mobil and Texaco now have the option under Californian law to block the Shell offer because of their holdings' size.

Aware of this danger, Shell said it would wthdraw its bid if holders of more than 10 per cent of the shares objected to it. Belridge also said it would consult with Mobil and Texaco before making a final decision.

The current interest in Belridge by Shell and others arises from rising oil prices and improving oil production technology, both of which have considerably enhanced the potential worth of the company's large reserves of thick, heavy crude oil. A rich source of largely unexploited oil is also contained in a geological strata beneath the main producing reservoirs.

Shell has been striving for some time to increase its U.S. oil base. It has been willing to offer such a high price for Belridge because new technology has made it possible to extract oil from Belridge's reservoirs which were once thought virtually inaccessible.

Earnings

Shell said it expected to be able to raise Belridge's oil production above its current 40,000 barrels a day.

Belridge's earnings last year were $156m and its profits $44m.

Belridge's oil properties are located in Kern County, near Bakersfield, some 90 miles north of Los Angeles, and its reserves are put at some 376m barrels of oil and 143bn cubic feet of natural gas. Most of its oil is extracted through stripper wells producing on average less than 10 b/d.

The oil is a heavy variety requiring the injection of steam into the wells to make it flow more freely. Although costly to extract and requiring substantial refining to produce high quality petroleum products, a great attraction is that the price of heavy crude is not controlled. At current prices of $16.50 a barrel, Belridge's reserves are valued at about $6bn. Also, it is thought heavy crude may be exempted from any windfall profits tax imposed by the Carter Administration.

Getty Oil, which owns areas adjacent to Belridge and which took part in the sealed-bid auction plans to try to tap similar oil bearing deposits which are nearby but situated much nearer the surface by strip mining to a depth of 200 to 300 feet.

House prices 'will still rise'

HOUSE PRICES will continue to rise in spite of contrary reports from the Government, estate agents and building societies, according to Mr. William Hilton, director of the National Federation of Master Builders.

Iranian Minster promises army purge

TEHERAN — Mr. Mostafa Ali Chamran, Iran's first civilian Defence Minister, said yesterday that he would purge the armed forces, starting at the top.

In his first interview since his appointment on Friday the 48-year-old former guerrilla told the Teheran daily newspaper Kayhan that the purge was intended to bring the armed forces up to Islamic and revolutionary standards.

Meanwhile, guerrillas blew up a microwave station in southwestern Iran, cutting off telephone communications with the country's largest port of Khorramshahr and the oil refinery town of Abadan, the official Pars news agency said.

Mr. Hassan Eslami, Posts and Telecommunications Minister, said paramilitary forces had been sent to the area to prevent further sabotage.

Reuter

India faces new preventive detention row

By K. K. Sharma in New Delhi

THE INDIAN Government headed by Mr. Charan Singh, the caretaker Prime Minister, has taken the controversial decision to introduce preventive detention without trial of people committing economic offences, such as hoarding and smuggling, with a view to checking the current virulent spell of inflation.

The Government wants to promulgate an Ordinance for the Purpose, but in recommending this to Mr. N. Sanjivan Reddy, the President, it may well run into trouble. He is known to be opposed to such measures and it was at his instance that Mr. Charan Singh held a meeting of Chief Ministers of all states last week.

None of the Ministers supported the proposal.

Preventive detention is abhorrent to most Indians, particularly after its misuse by Mrs. Indira Gandhi, who jailed hundreds of thousands under the much-hated Maintenance of Internal Security Act.

The Government, apart from running into trouble with political parties, may clash with the President, who must sign the ordinance to give effect to the decision.

In that event, the country could be plunged into a constitutional crisis since, under the Constitution, the President must act on the advice of the Cabinet.

Caution urged on Carter over Cuba troops issue

BY DAVID BUCHAN IN WASHINGTON

SENATE LEADERS have urged caution on President Carter as he prepares his television response tonight to the apparent diplomatic deadlock with Moscow over its troops in Cuba.

Leaving the next move to the President, Mr. Andrei Gromyko, the Soviet Foreign Minister, told the United Nations last week that Washington's concern about an alleged combat brigade of 2,000 to 3,000 men in the island was based on "falsehoods." The claim was repeated by President Fidel Castro of Cuba at a press conference in Havana for U.S. reporters on Friday.

A leading Republican, Senator Jacob Javits, yesterday urged Mr. Carter to find a compromise with the Russians that would "save their face and our face." Senator Robert Byrd, the Democratic majority leader, said that Americans should not succumb to "a case of nervous delirium" over troops long stationed in Cuba, since the U.S. had an equal number at its Guantanamo naval base in the island.

Mr. Carter has come under sharp criticism for overdramatising the affair. He has called in a large group of outside advisers, prominent in past *U.S. foreign policy-making* including three former Secretaries of State, Dean Rusk, Henry Kissinger and William Rogers. He lunched with them on Saturday before withdrawing to his Camp David retreat to prepare tonight's television address.

Senator Byrd: a warning

The convening of these "wise men" *seems designed not only* to get independent advice, but also to create an impression of well-informed backing for whatever stance the President takes tonight.

Failing a compromise with the Russians, Senator Javits yesterday suggested that appropriate responses might take the *form of an increased U.S. role* in the Caribbean and central America and the barring of tariff concessions for Soviet trade. The U.S. should not only hold the SALT 2 treaty a hostage to the troops issue, he said.

The White House has flatly ruled out military intervention, and yesterday an official denied reports that U.S. military reservists might be called up. This speculation stemmed from a parallel drawn on Friday by Mr. Zbigniew Brzezinski, the national security adviser, between the present troops dispute and the 1961 confrontation over the building of the Berlin Wall. On that occasion President Kennedy requested U.S. military spending increases, reinforced the U.S. garrison in Berlin, and put some reservists on action duty.

David Satter adds from Moscow: The Communist Party newspaper, Pravda, said yesterday that any attempt to dictate international behaviour to the Soviet Union had no chance of success. Although the newspaper did not analyse the Cuban troop crisis specifically, it was plainly referring to it when it said that the attempts of "*militarist and reactionary*" forces to sabotage detente usually began with a groundless accusation against the Soviet Union or other Socialist states.

"This was followed by a propaganda sensation which made use of the full force of the means of mass information, professional politicians, experts *and retired and regular military* men."

The anaylsis was accompanied in Pravda by a full report by the Soviet news agency, Tass of the Press conference given by President Castro at the weekend.

Anti-recession package for Italy

BY RUPERT CORNWELL

THE ITALIAN Government plans to raise personal tax allowances, cut labour costs for *industry, and bring in a* L3,000bn (£1.7bn) housing programme, in an effort to lift the anticipated growth of the national economy next year to 2.5 per cent.

The proposals are coupled in the draft 1980 budget which was completed at a 12-hour Cabinet meeting over the weekend. They amount to an elaborate programme to try to prevent Italy from sliding into the recession widely feared for 1980, while holding inflation at, or slightly under, the present rate of 15 per cent.

The tax concessions will be partly offset by rises of up to 20 per cent in telephone and electricity tariffs while property taxes will go up steeply for tenants. The authorities are also planning a new onslaught on tax evasion.

In taking this course, the weak Christian Democrat-led Government of Sig. Francesco Cossiga is trying to reconcile the need to maintain economic stability with the increasingly hostile stance to his administration taken by the major unions and the Communist Party.

Industry will be helped by the transfer of some social security charges to the state. It will mean a loss of revenue of L2,700bn (£1.5bn) next year. Exporters will also beaided by a rise in annual export credit guarantees to L5,500bn from the present L5,000bn.

The stimulatory measures will it is hoped, lift growth in 1980 by one percentage point from original forecasts to 2.5 per cent. This compares with the 4.3 per cent expansion officially expected for 1979.

Without corrective action, Italy's enlarged public sector borrowing requirement, estimated at L36,000bn (or 13.6 per cent of gross domestic product) this year, might otherwise have climed to L42,000nb next year. But the public service tariff increases will cut this figure by at least L2,000bn and strengthen the rickerty financial basis of the state enterprises concerned.

While Italy's current account is likely to remain in surplus by up to 1 per cent of GDP in 1980, imports and exports are expected to grow by only 2 and 4 per cent respectively in volume terms. Private consumption, it is estimated, will go up by 1.5 per cent next year.

Zimbabwe conference gets fresh impetus

LORD CARRINGTON, the Foreign Secretary, is expected this morning to table a fuller version of Britain's constitutional proposals for Zimbabwe-Rhodesia to the Lancaster House conference which today enters its fourth week, Bridget Bloom reports.

This morning's session will involve the leaders of the Salisbury and Patriotic Front delegations for the first time in a week.

Lord Carrington's decision to call together all three delegations is seen in part as an effort to restore momentum to the conference.

In Salisbury: Zimbabwe-Rhodesian security forces yesterday pressed on with their raid on Patriotic Front guerrilla targets in neighbouring Mozambique for the fourth day—one of the longest cross-border missions ever mounted.

Strauss gains ground

Herr Franz Josef Strauss, the Bavarian leader who hopes to displace Herr Helmut Schmidt as West German Chancellor in next year's general elections, has impressively emphasised anew his unchallenged dominance over his own party, Jonathan Carr reports from Bonn.

At a congress of his Christian Social Union (CSU) in Munich at the weekend, Herr Strauss was re-elected party chairman by 857 votes from a total of 876—the best result he has achieved in his 18 years of office.

Nguema executed

MALABO — Deposed President Francisco Macias Nguema and six former aides were executed within hours of being sentenced to death, the Equatorial Guinea State radio has announced.

The announcement said the executions took place on Saturday night.

Reuter

Khalid visits Libya

GENEVA — King Khalid of Saudi Arabia flew to Libya on Saturday for a two-day visit and a possible meeting with Colonel Gaddafy.

His trip to Libya comes just a week after a meeting with King Hussein of Jordan, another opponent of the Egyptian-Israeli accords.

Reuter

IMF / World Bank : BELGRADE

Drastic inflation therapy urged

DR ARTHUR BURNS, former chairman of the U.S. Federal Reserve Board, yesterday urged the Carter Administration to adopt a four-part programme to intensify its battle against inflation.

His "fairly drastic therapy," outlined in the Per Jacobsson memorial lecture, a regular side feature of the World Bank annual meeting, consisted essentially of policies with which he has long been associated and of which he is by no means the only advocate. They are:

A revised budgetary process making the accumulation of deficits more difficult and ultimately leading to a constitutional amendment requiring a balanced budget.

Dismantling of Government regulations impeding business.

A five-year tax cut schedule to enhance investment and competitivity.

A binding endorsement of restrictive monetary policies until the rate of inflation has become lower.

Dr. Burns's lecture, "the anguish of the central banker" *was devoted mostly to his* analysis of why inflationary psychology had become so ingrained and to the diminishing influence of central banks.

He found the root causes in President Roosevelt's New Deal Administration of the 1930s and in the great social legislation of the 1960s which elevated the role of Governments in everyday life to a degree unknown in the U.S. in its formative and expansive years.

He welcomed what he perceived as the rising trend of conservatism in the world in that it could make more possible the implementation of necessarily painful economic adjustments.

He doubted whether this would be accomplished easily and predicted more false starts before reasonable price stibility was achieved in the industrialised world.

Primarily a bankers' jamboree

THE JOINT annual meeting of the International Monetary Fund and the World Bank is primarily a bankers' jamboree, an opportunity to talk and do business. Only secondly is it a meeting of Finance Ministers, officials and central bankers to discuss the outlook for the world economy, and, very rarely, to make decisions.

All the action and talk takes place in the lobbies, hotel rooms and frequent parties. Hardly any attention is paid to the formal meeting of the board of governors of the fund and bank which lasts from tomorrow until Friday. After the opening speeches from Mr. Robert McNamara, the bank's president and M. Jacques de Larosiere, the fund's managing director, there are merely a series of set speeches by the Finance Ministers of the 138 member countries, with no real discussion.

The serious debate occurs earlier in a series of meetings which began last week under the auspices of organisations with an almost infinite variety of names and initials. There are two broad groups—one involving the industrialised countries and the other the much larger number of developing nations.

The discussions of the industrialised countries are generally under the umbrella of the Paris-based Organisation for Economic Co-operation and Development. Representatives of its 24 countries met on Saturday as working party three to discuss the international balance of payments outlook.

Our team in Belgrade is:
Jurek Martin,
Peter Riddell
and Aleksandar Lebl.

The 10 largest of these industrial countries, plus Switzerland, met as the Group of Ten yesterday at official level will meet today at ministerial level to discuss international liquidity. They will be concerned particularly with proposals for a substitution account and the certain renewal for a further five years of the general arrangements to borrow which supplement the fund's resources.

The developing countries have an even more labyrinthine network. Their Group of 77 naturally does not consist of 77 countries—nothing so simple. The present tally is 115 countries.

Anyone looking for where the real power lies should concentrate on the interim committee of the fund. This is in theory an advisory body which meets twice a year but in practice it is the main policymaking group. It consists of 21 Finance Ministers and central bank governors chosen on the same *basis* as the fund's executive board with permanent members (the U.S., Britain, West Germany, France, Japan and Saudi Arabia) and others representing regions.

It is the interim committee which will finally decide on the future of the substitution account. But the first task at *its meeting today* is to elect a new chairman in place of Mr. Denis Healey, the former British Chancellor. this will be Sig Filippo Pandolfi, the Italian Finance Minister.

Decision on PLO position today

MR. ROBERT MULDOON, the New Zealand Prime Minister, today announces his decision on whether or not to grant the Palestinian Liberation Organisation (PLO) observer status at the annual meeting of the International Monetary Fund and World Bank, which begins on Tuesday.

Mr. Muldoon, who is serving as chairman of the joint meeting, said yesterday that representatives of the executive boards of both institutions would be meeting late into the night on a recommendation.

The PLO's case was strongly endorsed over the weekend by the Group of 77, representing 115 developing nations. The motion to grant the PLO observer status, which has never come up before at an IMF-World Bank meeting, was proposed by the Pakistani delegate and approved unanimously.

Ten days ago in Washington, the IMF's board advised Mr. Muldoon to reject the PLO application should it be made and Mr. Muldoon's own comments suggest that he is against the idea of permitting the intrusion of Middle East politics into what is supposed to be a financial and developmental meeting.

Dr. Walid Kamhawi, who was invited to represent the PLO by the Group of 77, told the Financial Times it would be logical for the request to be granted, since every other UN organisation had previously acceded. Moreover, he noted that observer status had been granted to Switzerland and other regional institutions including the Commonwealth Secretariat.

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SHIPPING REPORT

Rates boost for VLCCs forecast

By Lynton McLain

THE VOLUME of very large crude carrier tonnage awaiting cargoes in the Gulf declined last week as demand continued to increase, particularly for vessels on long-term time-charters.

Rates, however, moved only slowly upwards, although owners were confident that higher rates are on the way, particularly as a result of companies demanding oil loadings for later this month.

Several Japanese charterers were reported to have agreed on rates for vessels for forward charter at levels substantially higher than for spot loadings.

Brokers forecast that if inquiries continue at the current level for the next fortnight, spot loading rates are also expected to rise "significantly upwards."

The number of vessels chartered fell slightly compared with the previous week, but the continued activity on the VLCC and ULCC markets kept rates up. A 285,000-ton vessel gained rates at Worldscale 50 from Japanese charterers. A 228,000-ton vessel, for discharge in Sweden gained Worldscale 47½.

Demand for ULCCs was more restricted, but an independent charterer settled for Worldscale 39½ for a 373,000-ton vessel for passage from the Gulf to the UK and the Continent.

However, brokers reported that owners still had difficulty in finding adequate business from the Gulf for vessels of between 120,000 and 150,000 tons. Rates remained static.

Trading in medium-sized vessels operating between the Mediterranean and the U.S., was also weak, and rates fell slighfly.

Time-charter activities continued, with rates at a high level compared with previous weeks. Many of the charterers called for vessels between 50,000 and 80,000 tons.

Liberian order for Hitachi

TOKYO—Hitachi Shipbuilding has received an order for a 60,000 dwt bulk carrier valued at about Y5bn (£000000m) from Ascona Shipping of Liberia. The order is Hitachi's second for its ship equipped with energy-saving diesel engines. The first was a 80,000-dwt tanker ordered by Britain. The bulk carrier to Liberia is scheduled to be delivered in the second half of 1981.

Mitsui Engineering announced that it has established a shipbuilding company near Dacca, Bangladesh, jointly with Bangladesh interests.

The new company, called Highspeed Shipbuilding and Heavy Engineering, is capitalised at \$2.5m (£1.1m), Mitsui spokesman said.

Mitsui is putting up 20 per cent of the capital, Bangladesh's Highspeed Industrial Group 35 per cent and the Bangladesh Industrial Bank, Bangladesh Investment Co-operation Bank and the International Finance Corporation 15 per cent each.
Agencies

UK company wins £3.6m Iranian building contract

BY ANDREW WHITLEY

A BRITISH company has won an estimated \$8m (£3.6m) contract to supply materials and equipment for a major, low cost construction project in Iran.

The project, to build 8,700 housing units in a new satellite town outside Tehran, is the first firm evidence of the Government's stated determination to make a priority of low-cost housing.

A South Korean concern is to erect the first thousand units, but the bulk of the work in this \$400m project is being handled by an Iranian construction company, P.D.M.

In South Korea the Construction Ministry announced that the Iranian Government had asked Korean companies to resume work on four construction projects suspended since the February revolution. The total worth of the projects is put at \$105m.

The projects to be completed include a fertiliser plant at Shiraz and warehouses at the extension of the port of Bandar-Khomeini (formerly Shapour).

Before the revolution South Korea was rapidly strengthening its dominant position in the field of construction in Iran.

A large proportion of the materials being imported into Iran for the new satellite town near Tehran is likely to come from Britain though a spokesman for the firm responsible, Mideast Consultants, said that it was too early to put a precise figure on the value of the materials.

It would be "as much as possible" given the difficulties caused by the strong pound; and would certainly include the electrical goods and sanitary ware.

Earlier this month Mideast Consultants, which has had previous experience in Iran as a broker for imported industrial capital equipment, was appointed to select and supply all the services, materials and equipment required from abroad for the township.

It was the first contract to be awarded to a British company in the Iranian construction sector since the revolution.

According to Mideast Consultants, the Iranian Government has shown its anxiety to press ahead with this and other similar schemes by liberalising its normally strict controls on the import of construction materials.

Clients for the project, which involves the construction of 6,000 single-storey villas and all related infrastructure is the State railway workers' co-operative. PDM, the Iranian contractors, are also constructing 700 houses on an adjacent site for the Government.

Italy signs Nigerian oil pact

BY RUPERT CORNWELL IN ROME

AGIP, the oil subsidiary of ENI (Ente Nazionale Idrocarburi), the Italian State-owned energy agency, has signed a new exploration and production-sharing agreement with the Nigerian authorities, covering a potentially promising area of the River Niger delta.

The deal, which follows similar initiatives in the Middle East and elsewhere by ENI, is part of the Italian group's strategy of securing the country's future oil supplies.

In the last few months Sig. Giorgio Mazzanti, ENI's president, has visited Mexico, Iran, Iraq, Libya and other oil-producing countries, with the aim of securing longer term deals which in some cases could involve the delivery in exchange of Italian technology and know-how.

The Nigerian deal covers six separate permits, three off-shore and three on-shore with a total area of 21,000 square kilometres. AGIP, which has been active in Nigeria since 1962, will jointly prospect two of the offshore areas with the Spanish State-owned group Hispanoil.

AGIP will carry all the risks connected with the operation. If oil is found it will be entitled to take up 50 per cent of eventual production.

Meanwhile, Mr. Saeed al-Oteiba, Oil Minister of the United Arab Emirates and current president of OPEC, has been in Rome for talks with senior Italian officials including Sig. Antonio Bisaglia, the Industry Minister, and Sig. Mazzanti. The main theme of the discussions was the guarantee of regular oil supplies from the Gulf to Western Europe and Italy in particular.

Reuter adds: China has told Japanese importers that its crude oil shipments to Japan in October will be reduced by about 20 per cent from the present monthly average of 650,000 tonnes. Japan is planning to buy 7.6m tonnes of crude from the northern Chinese oil field of Daqing this year, or about 2.6 per cent of its total import needs. China has given no reasons for the supply cut back.

Saudi solar project

JEDDAH—Martin Marietta has won a \$16.5m (£7.5m) contract to build the solar-energy generating plant for two villages near the Saudi capital of Riyadh. The project is part of a five-year \$100m (£45.5m) energy research programme jointly financed by the U.S. and Saudi Arabia.

Mr. Reda Obaid, chairman of the Saudi-American Solar Energy Board, said the project will help in research and development of photovoltaic technology in both countries. AP-DJ

World Economic Indicators

TRADE STATISTICS

		Aug. '79	July '79	June '79	Aug. '78
UK £bn	Exports	3.6	3.6	3.4	3.0
	Imports	3.7	3.6	3.8	3.0
	Balance	−0.1	0.0	−0.3	+0.1
France Frsbn	Exports	36.329	36.919	34.846	28.690
	Imports	39.493	37.883	35.987	29.751
	Balance	−3.167	−0.964	−1.141	−1.061
U.S. \$bn.	Exports	15.821	15.669	15.038	12.470
	Imports	18.177	16.777	16.937	14.090
	Balance	−2.357	−1.108	−1.899	−1.620
W. Germany DMbn	Exports	24.7	26.5	25.7	21.9
	Imports	23.7	25.9	24.0	18.8
	Balance	+1.0	+0.6	+1.7	+3.1
		July '79	June '79	May '79	July '78
Holland Flsbn	Exports	9.989	10.882	10.781	7.982
	Imports	10.628	11.300	11.602	8.807
	Balance	−638	−418	−821	−825
		June '79	May '79	April '79	June '78
Japan \$bn	Exports	8.510	8.133	7.810	7.954
	Imports	7.400	8.080	7.300	5.019
	Balance	+1.110	+0.053	+0.510	+2.935
Italy Lirebn	Exports	5.234	5.008	4.371	3.947
	Imports	5.219	5.717	4.306	3.436
	Balance	+0.015	−709	+0.064	+0.511
		April '79	March '79	Feb. '79	April '78
Belgium Frsbn	Exports	128.269	144.282	126.327	115.734
	Imports	134.475	149.786	128.160	122.049
	Balance	−6.206	−5.504	−1.833	−6.315

Poland and IH discuss joint sales company

By Christopher Bobinski in Warsaw

INTERNATIONAL Harvester (IH) the U.S. farm equipment and construction machinery manufacturer, and Bumar, the Polish building machinery trading company are discussing the establishment of a joint marketing company which would be based in Western Europe.

Mr. Ryszard Mikoda, Bumar's managing director, says that he expects the joint venture to be under way by the middle of next year. The joint company would sell its construction machinery made in Poland to International Harvester specifications—under the terms of a co-operation agreement established in 1972—to third markets where neither side has sales or service facilities.

According to Mr. Mikoda the new company would operate in those markets where political or economic conditions made penetration difficult for either concern on its own. He mentioned South East Asia as an example, but stressed that one of the features of the joint venture would be flexibility in its choice of markets.

Last month International Harvester extended its agreement with Huta Stalowa Wola, Poland's major construction machinery manufacturer, to 1987 and a significant growth in the value of mutual deliveries is expected to follow.

At the moment components made in Stalowa Wola are going to International Harvester plants in the U.S. and to Doncaster in the UK while U.S. produced components are being delivered to Stalowa Wola.

W. Germany urged to adapt trade policy to Third World

BY FRANK GRAY

WEST GERMANY has an opportunity to improve its overall productivity in the 1980s, but to do so it must substantially alter its trade policy, the German Institute of Economic Research says in a report prepared for AMK Berlin, the fairs and conventions organisation.

The Institute, also based in Berlin, says that to achieve this objective West Germany must be prepared to sacrifice jobs in industrial sectors that are no longer competitive in favour of the creation of highly productive jobs in the exporting industries.

The Institute's assessment is based on an examination of trade relations with the non-OPEC, non-European developing countries. It takes the position that the EEC in general, and West Germany in particular must avoid protectionism in favour of more trade with these countries.

"Sharing more work with the countries of the Third World means increased imports," the report comments.

While this will cause the loss of local jobs in the sectors concerned, it will "also lead to increased foreign exchange earnings by developing countries, and thus additional exports to these countries."

Particular note is made of the worsening balance of payments problems facing the non-OPEC, ono-European group of nations in view of the continuing oil price rises. Aid from the idustrialised countries was inadequate, with nations in the Organisation of Economic Co-operation and Development (OECD) contributing only 0.32 per cent of their national products to development aid last year.

Greater efforts had to be made, therefore, to improve the developing countries' foreign exchange earnings from trade. Already, some 82 per cent of foreign exchange came from the export of goods and services, and nearly a quarter of this came from the EEC nations alone, the report says.

The report points to the developing countries' success in moving their industrial products into the EEC in the 1970s. It attributes this more to price competitiveness than trade preferences.

But a decline in such imports had taken place last year, partly because of market consolidation in Europe but also because of "more intense protectionist tendencies to be found in EEC trade policies."

In 1978, overall growth in world exports to the EEC grew by four per cent to \$227.2bn, over the previous year. Imports from the industrialised countries, particularly the U.S. and Japan, were \$104bn, the majority of which were imports of industrial products. European developing countries contributed \$14bn in goods to the EEC, while the oil exporting nations of OPEC, added \$48.8bn, nearly all of which was petroleum.

This left a balance of \$41.8bn in imports from the non-OPEC, non-European nations, of which \$15.7bn were industrial products.

Total imports by the EEC from these latter countries rose by a fractional 0.1 per cent over the previous year. West Germany, which took 27.9 per cent of these EEC imports, improved its import figure over the previous year by only 0.6 per cent.

Comecon considering 'energy bank'

By Anthony Robinson, East Europe Correspondent

FACED WITH declining growth rates and a tight energy situation in the 1980s East European policy makers appear to be considering important institutional changes. The most important are likely to be the promotion of equity investments by Western companies in joint ventures, membership of the World Bank and the IMF and the creation of an East-West energy bank, according to Mr. Lawrence Brainard of Bankers Trust.

In a paper delivered at a Vienna symposium on "Economic and financial aspects of East-West co-operation," Mr. Brainard, who is widely considered to be one of the most authoritative East-West finance and trade experts, argues that creation of an East-West energy bank deserves serious consideration. "Such a bank would aid East-West co-operation in developing and putting into practice new energy technologies . . . and finance projects involving traditional and new forms of energy."

The need for such a bank is likely to increase in the 1980s as East European members of Comecon find themselves relying on non-Soviet oil.

Financial markets could well tighten significantly over the next decade in view of the need for massive investment in more energy efficient plant and new energy sources. Under these circumstances several East European Comecon countries are likely to find the idea of access to alternative sources of capital such as the World Bank and the IMF increasingly attractive. Romania has already shown what membership of these institutions can mean. Since 1973 it has received \$1.2bn in loans from the World Bank and \$370m from the IMF.

Labour faithful gather for fiery debate over constitution

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AT LABOUR'S annual conference, two years ago a fiery woman delegate leapt to her rostrum and cried "Let our MPs remember that they are the elected—not the elect."

Her words sum up accurately the spirit of the constitutional debate which will dominate the gathering of the Labour Party faithful in Brighton this week.

The constitutional row centres on three issues—the method of electing the party leader, the procedures for drawing up the election manifesto and whether the constituency parties should have the right to re-select their MPs.

The Left-wing proposals on these subjects originated in the party's home policy committee which is under the chairmanship of Mr. Tony Benn, MP for Bristol SE and former cabinet minister. Mr. Benn, the party's leading Left-winger, has retired to the back benches to promote a radical crusade for what he describes as "greater democracy" within the party and greater power for the grass roots.

The set of proposals were then adopted by the left-dominated National Executive Committee which has managed to get them on the agenda for debate at the conference in spite of concerted attempts by Mr. James Callaghan the party leader and the moderates to block them.

The leader is chosen by a vote of Labour MPs. But the Left want the choice to be made by an electoral college reflecting a wide spectrum of the party throughout the country. This would extend the franchise to include the NEC, the constituency parties, the unions and other affiliated organisations.

Manifesto

The formulation of the manifesto in another particularly sensitive area. The constitution lays down that the NEC and the Parliamentary Labour Party should decide which items should be included from the party programme. But in practice the party leader has what amounts to a veto on the contents of the manifesto. For the May General Election Mr. Callaghan ensured the manifesto was drafted at the last minute at a meeting of the Cabinet and the NEC, a forum where his supporters were in a majority.

This week the Left-wingers will be urging that the party conference should be the supreme authority in deciding on the manifesto. In practice this would mean that the NEC, as the interpreter of conference decisions, would have the final say in drawing up the platform on which the party should fight the next General Election.

The re-selection of MPs has been the subject of bitter debate within the party for some years. The proposal was defeated at last year's conference which meant in theory that it should not have arisen again this year. The Left, however, managed to get it on the agenda.

The suggestion is that each constituency party would be permitted during the lifetime of a Parliament to decide whether to re-adopt its sitting MP to fight the following General Election.

The scheme is strongly opposed by the moderates on the grounds that it would enable the local parties, many of which are dominated by the Left, the power to dictate how their MP should vote.

Although the trappings of Labour conferences have become familiar to the public by big television coverage the intricate procedures on which it is run remain something of a mystery.

There has always been scepticism over the fixing of the agenda with allegations that the NEC or the party leader have undue influence over it. In fact it is drawn up by the Conference Arrangements Committee (CAC) which is elected by conference and which meets at Transport House.

It consists of five members traditionally nominated by the big unions. In the run-up to the conference they are joined by two members of the NEC, presently Mr. Benn and Mr. Alec Kitson of the Transport and General Workers' Union. They voice the views of the NEC but do not have a vote on the CAC.

Topics

The aim of the CAC is to draw up a list of about a dozen topics that have most support in the resolutions sent in by affiliated organisations. Mr. Walter Brown, secretary of the CAC, says "the committee is responsible to nobody but conference. It will be dictated to by nobody."

In spite of this, there is no doubt that the party constitution gives ample scope for the NEC to get a particular subject debated. Standing orders state that matters may be raised which the NEC considers to be of "immediate importance."

Inevitably, a big number of resolutions are submitted on the same subject and these have to be merged or, in Labour Party terminology, composited. This process, involving much horse-trading and skulduggery, takes place during intensive discussions between groups of delegates over the weekend before the conference starts. As one political commentator has described it: "Truly, this is a marvellous science, although not yet taught in the academies."

A crucial factor at this week's conference will be the way the massive trade union block vote is employed in the constitutional debate. This much criticised process is an inheritance from 1900 when the party was formed by a combination of the unions, the Social Democratic Federation, the Fabian Society and the Independent Labour Party. The intention was to give the unions a Parliamentary voice and, as they were in the majority, they received the lion's share of the votes.

At last year's conference the trade unions had 608 delegates wielding 6.061m votes, the constituency party 538 delegates with 363,000 votes, the Socialist societies 10 delegates with 36,000 votes and the Co-operative organisations five delegates with 31,000 votes. Thus, on a card vote, the unions could muster six times the strength of the other sections combined.

The present row highlights the remarkable fact that the specific authority of the conference over the Parliamentary Party and the manifesto has never been clearly defined.

Mr. Tony Benn and Mr. James Callaghan—the battle over Labour's constitution starts today at Brighton.

Days lost in strikes highest since 1972

BY NICK GARNETT, LABOUR STAFF

WORKING DAYS lost through industrial disputes in August totalled 4.2m, highest monthly figure since February 1972, say provisional estimates from the Department of Employment.

Far the biggest factor was the engineering dispute.

Engineering, ship- and vehicle-building, accounted for 3.7m working days lost, based on very general estimates in the Employment Gazette.

The figure includes strikes such as the continuing one at Chrysler's Coventry plants and disputes at GEC, Stafford and Perkins, Peterborough.

The ITV strike was another main dispute listed by the Gazette.

The 4.2m total compares with the estimated 2.7m working days lost in January when the road haulage and public sectors had major disputes.

Days lost in August in the engineering strikes were more than three times those in the road haulage dispute.

Though the number of working days lost in August was more than six times greater than in July the number of stoppages beginning in August was down to 151 from 163 in July. This again shows the predominance of the engineering dispute.

The number of workers in dispute in progress during August is estimated at 1.3m, far above figures for previous months but lower than the 1.5m in January. The August figures, however, may be a considerable underestimate.

The number of working days lost through disputes in the first eight months of this year is estimated at 12.3m, against 4.2m for the same period last year.

It is higher than for any 12-month period since 1974 when the total was 14.8m. September figures will push the total beyond the 1974 mark. Some 24m working days were estimated to have been lost in 1972, largely reflecting the miners' strike.

● More than 65 per cent of completed unfair dismissal cases were resolved last year without a hearing at an industrial tribunal.

In conciliation procedures 35 per cent of completed cases reached settlements and 30 per cent were withdrawn.

Of the 11,825 cases which reached tribunals, the operation of which the Government proposes to alter, 8,551 (72 per cent) were dismissed and 3,277 upheld.

About 65 per cent of compensation amounts agreed at conciliation fell within the £50 to £399 range. Almost exactly the same proportion of awards by tribunals were between £100 and £749.

Cut-price travel ban broken by companies

BY ARTHUR SANDLES

DOZENS of big British companies are gaining substantial discounts on business travel arrangements, from air tickets to rail fares, breaching travel industry and Governmental restrictions.

In theory, these curbs make travel an area of strictly enforced resale price maintenance.

The discounts are being offered by business travel agents under a cloak of secrecy and in spite of the risk of disciplinary action by the Association of British Travel Agents.

The percentage reductions are small, but with accounts often running into hundreds of thousands of pounds, the totals in cash can be appreciable.

Mr. Allan Beaver, chairman of Beaver Travel and vice-president of the Institute of Travel and Tourism, asked 64 business travel agents to complete a questionnaire on a basis of secrecy. Some 29 of the 64 replied "yes" to the question: "Do you give a discount to any one of your clients?"

The companies questioned included many of the biggest names in the retail travel business. Thirteen said they were losing accounts because someone else had offered discounts and seven said they were gaining customers by offering cut-price travel.

It is thought that the discounting is in the form of rebates of about 1 or 2 per cent. However, 4 per cent has been mentioned in some cases.

The trade newspaper, Travel News says today that an executive of Balfour Beatty told a gathering of business travel agents that many big companies with large travel accounts received some form of discounts. He refused to say whether they included his own company.

Airline commission is normally 9 per cent. The International Air Transport Association forbids any sales agent passing on any of this commission to a client. The only way this ruling can be changed is by the government of the country legislating to make such a provision unenforceable.

The Association of British Travel Agents forbids selective discounting. Thus, all discounts must usually be available to all customers through all outlets.

Business travel specialisation is growing. Big companies can spend £1m a year on travel and the possibility of getting such business is tempting to any travel agency.

However, until now the existence of discounting has been denied.

£800m oil trade surplus 'next year'

BY RAY DAFTER, ENERGY EDITOR

BRITAIN SHOULD become a net exporter of crude oil—on a sustained basis—by the second quarter of next year, according to a new analysis of North Sea oil production.

Production next year could build up to give the country an £800m surplus in its balance of oil trade, compared with a deficit of the same amount this year, say stockbrokers Wood Mackenzie. By 1981 the surplus could be as much as £2bn, as against last year's £3bn deficit.

However, these benefits will be partially offset by related current account debits, such as imported goods and services, and remittance of interest, profit and dividends. Taking these into consideration, Wood Mackenzie says the surplus on the UK oil and oil-related current account wil not occur until 1983-84.

Thanks both to increasing oil production and rising prices, Government North Sea revenues are building up rapidly. In 1975 these amounted to just £1m, last year £450m, next year they should be £2.3bn and by 1985 they could go as high as £9.3bn.

By the 1980s, Government North Sea returns are likely to represent between 5 and 10 per cent of the total tax take from all sectors. The expected 1985 contribution represents, in today's terms, 80 per cent of the 1979/80 public sector borrowing requirement and about one-third of the total amount raised through personal taxation.

North Sea oil prices have risen rapidly, in line with those imposed by OPEC members. In 1974 the average price was $11 a barrel; now it is about $23.20. But Wood, Mackenzie says in real terms today's prices are only slightly above those for 1974.

In another report, Oilfacts, October 1979, stockbrokers Hoare Govett says UK oil production, which temporarily surpassed demand in June, could rise from this year's level of 1.6m barrels a day to around 2.7m b/d by 1983/84. This would be some 20 per cent above the projected rate of UK demand.

French bid for Marathon yard a stage closer

BY RAY DAFTER, ENERGY EDITOR

A FRENCH engineering group, Union Industriel et d'Entreprise (UIE), has moved closer to making a formal bid for the troubled Marathon oil rig construction yard on Clydeside.

The company is considering using Marathon, which has been up for sale for the past month, to build decks and prefabricated structures (modules) for offshore oil production platforms.

After talks with the Marathon management and shop stewards on Friday UIE executives are to send a team to the Clydebank yard to evaluate its potential more thoroughly. It is thought that the company could begin sale negotiations within two months.

The yard, with a workforce of just over 1,000 is owned by Marathon Manufacturing of Texas, which is being taken over by Penn Central Corporation. Marathon said it wanted to sell before the Penn takeover was announced last month.

The yard was saved from closure earlier this year when an order was placed for an £11m oil rig. It came from the Scottish Office — which owns 62 per cent of the yard's capital — and the British National Oil Corporation.

The French company will look at possible losses on the rig-building contracts, outstanding government loans and the need for modernisation work before making any bid.

Mr. Jimmy Reid, the shop stewards' chief negotiator at the yard, said yesterday: "All the parties are very happy with the exchanges that took place. It would seem to me more than probable that UIE will pursue its interest."

UIE, part of the Amrep Group, is one of a number of companies which have expressed interest in Marathon. One of those so far identified is a privately-owned British ship-repairing company, Clydedock Engineering.

It is understood that UIE has not ruled out the possibility of operating Marathon under a joint-venture arrangement with a UK company. The French company has a sub-contracting arrangement with Redpath De Groot Caledonian which has an oil platform yard at Methil, Fife.

Skilled workers shortage 'limits' companies growth

BY CHRISTOPHER LORENZ, MANAGEMENT EDITOR

AN ACUTE shortage of skilled workers is limiting the growth of many small and medium-sized companies, and may be getting worse, according to a Confederation of British Industry report published today.

This is the most severe of the many "constraints to growth" cited in the study Innovation and Competitiveness in Smaller Companies.

Based on a survey of the opinions and practices of 56 manufacturing companies with under 1,000 employees each, it concludes that their rates of increase in sales, employees and investment are "disappointing," given their impressive technological capacities.

When the companies were surveyed late last year only a few gave any indication of immediate intent to increase their rate of investment in new manufacturing plant, the CBI reports.

The study says not enough new companies are being set up to make a really significant impact on Britain's export performance and labour market.

Unlike other recent small business sector studies, the report is not particularly critical of how entrepreneurs in general are treated by finance providers.

But it does say inflation is making the initial cost of new ventures almost impossible to fund from private sources and it attacks the reluctance of established sources to raise capital to finance the more highly speculative ventures. A remedy to this is urgently needed.

Complaints about the skilled workers' shortage came from two-thirds of the 56 companies, with instrument technicians, electricians and draughtsmen the most frequently cited occupations.

The quality of apprentices in a wide range of skills had risen over the past two years (to the beginning of 1979), but the number had been inadequate for some time and still appeared to be falling.

Positive

This situation is exacerbated by the gradual loss of skilled employees to other work, often outside manufacturing, because of better pay and conditions, says the report. "In view of the relative dearth of skilled operatives in the 30-50 age group, the position may well deteriorate even more rapidly in the 1980s."

The most positive conclusions are that companies surveyed have an above-average export rate and are convinced that prices are not a prime determinant of sales success, either at home or abroad.

Out of six suggested factors, "low price" came out bottom, receiving only seven affirmative responses, compared with 54 for "good customer service," 45 for "specialisation," 39 for "high standard of product," 29 for "innovation," and 18 for "diversification."

Adding that many graduates' courses fail to give them suitable preparation for industry work, the report says the root causes of all these problems probably lie in social attitudes.

"The overriding need is for technology to receive a much higher proportion of the most able recruits at all levels. To do this it must be given a status similar to that ... in the more successful industrial countries for the past century or more."

The British educational system needs revision in several respects, the report says. Better training, more formal qualifications and more status should be given to technicians and supervisors.

Among other growth constraints cited were the Protection of Employment Act and, more important, the sheer volume of legislation and official returns. Over the past five years this had intruded on managers' time "to a completely unacceptable level."

Surveyed between September 1978 and January 1979, before the Conservative Budget in July, the companies said the erosion of pay differentials had reduced motivation at all levels, as had high rates of taxation, especially at more senior levels.

Spotlighting certain cases where problems were reported, the report said exporters should be given more assistance through UK embassy and consular services and steps should be taken to avoid delays in the Export Credits Guarantee Department.

Innovation and Competitiveness in Smaller Companies, CBI Publications Department, 21 Tothill Street, London, SW1. Price £5.

● Never mind the price—feel the quality. Page 9

Times talks at Brighton as peace hopes rise

BY ALAN PIKE, LABOUR CORRESPONDENT

TIMES NEWSPAPERS management representatives go to Brighton today for what may prove the final series of talks leading to re-publication of the company's suspended newspapers.

Suspension enters its 11th month today. There is optimism that if meetings fixed for the next few days continue to make progress, final agreements may be reached with all sections of the staff very shortly, possibly this week.

Management negotiators resume discussions today with Mr. Barry Fitzpatrick and other representatives of the Sunday Times Clerical Chapel of the National Society of Operative Printers, Graphical and Media Personnel.

There was feeling, after talks last week, that final agreement with this large section of the work force was near. Today's meeting will be in Brighton because Mr. Fitzpatrick is a delegate to the Labour Party Conference.

Further talks are expected this week, on pay rates and manning levels, with the Sunday Times Machine Chapel, led by Mr. Reg Brady. Outstanding problems with this group have caused some of the greatest difficulties, but determined efforts to solve them were made in negotiation throughout last week, including a session on Saturday.

Only the two big Sunday Times chapels and a handful of other NATSOPA groups have still to agree to re-publication terms. Mr. Owen O'Brien, NATSOPA general secretary, has expressed hope that the remaining problems can be solved this week.

Last month the company agreed to demands from the National Graphical Association that it reinstate its 600 Times Newspapers members who had accepted the re-publication formula.

Re-publication is due within four weeks of all staff accepting the return-to-work terms.

Television staff reject pay offer by 3 to 1

BY OUR LABOUR STAFF

MEMBERS OF the Association of Cinematograph, Television and Allied Technicians in all 11 shops to have so far voted on the independent television companies pay offer have rejected the proposals by about three to one.

ACTT members in the remaining 14 shops still to decide outnumber those that have already voted. However, the size of the rejection indicates that most, if not all, of these shops will also turn down the offer at meetings today and tomorrow.

Members of the National Association of Theatrical, Television and Kine Employees and the Electrical and Plumbing Trades Union are also meeting this week.

Pressure to settle on the companies, which are entering their most profitable period, is tightening.

Lawson is new Ulster GOC

By Our Belfast Correspondent

THE NEW Army chief in Northern Ireland is to be Maj-Gen. Richard Lawson, at present commanding the First Armoured Division of British Army of the Rhine. He replaces Lt.-Gen. Sir Timothy Creasey, who has been General Officer Commanding Northern Ireland since November 1977. Sir Timothy, 55, has completed a two-year tour nof duty, regarded as normal direction for the appointment.

Maj.-Gen. Lawson, 51, became known as "the swagger-stick hero" for his single-handed rescue of a missionary held by rebel soldiers in the Congo in 1962.

Esso Chemicals angered by cut in grants

BY SUE CAMERON, CHEMICALS CORRESPONDENT

ESSO CHEMICALS faces an extra bill of £12m for its planned petrochemicals plant at Mossmorran, Fife, because of the Government decision to cut regional development grants.

Mr. Bill Winchester, a director of Esso Chemicals Inc., which is managing the building of the £300m plant, said yesterday that the regional development grant had been a "powerful" economic factor in the company's decision to go ahead with the project.

But now it had "gone sour" because of the Government plan to cut development area grants from 20 to 15 per cent.

About 80 per cent of the initial capital spending on the Mossmorran project qualified for a grant, Mr. Winchester said. The company had therefore expected to receive about £48m in grant, but now it would be only £36m.

Not only had the grant been cut but also there had been a "significant" tightening of the rules. There would be three or four months' delay before grants began to be paid.

Cutting of development grants would discourage companies from investing in the UK — particularly when the British construction industry's poor performance was taken into account.

"We needed all of that 20 per cent grant to make up for the poor performance of our construction industry," Mr. Winchester said. "The whole aim of the development grants was to attract industrial investment to the UK, and that implies that industry needs to be attracted.

"Other European countries offer packages to attract investment but they are not so generous as in the UK

Hoverlloyd up for sale as a going concern

BY JAMES BARTHOLOMEW

HOVERLLOYD, the Swedish-owned cross-channel ferry operator, is up for sale. Brostroms, the parent company, wants to sell so that it can concentrate on its general shipping activities such as containers, tankers and salvage.

Hovercraft services between Ramsgate and Calais have been operated by Hoverlloyd since 1969. It has four SRN4 Mk II hovercraft, each capable of carrying 280 passengers and 37 cars.

It owns a hoverport at Ramsgate and is planning permission for expansion.

Last year it carried 1.26m passengers and 233,000 cars.

The group also includes Charles Follet, a car distributor which sells Porsche and other sports cars, and Travel Lloyd, a travel agent based in Berkeley Square.

The passenger side of Brostroms business has been run down in recent years, with Swedish Lloyd being closed in 1976 and Swedish America just before.

Hoverlloyd said the sale is also in line with Swedish government policy against investment outside the home country.

Negotiations have started with several companies but Hoverlloyd declined to name them yesterday.

Pledge sought on number of post offices

BY ANDREW TAYLOR

THE POST OFFICE has been asked to give a public assurance that the recent fall in the number of post offices has been halted.

The call is in a report today by the National Consumer Council, which describes the decline in the post office network as extremely worrying.

The council says that the number of sub-post offices fell from 22,907 in 1970 to 21,342 by March last year, a net loss of 1,565. Between 1975 and 1978 there was a net loss of 718.

The report said the Post Office should consider providing at least part-time service instead of closing offices. There should be adequate public warning and consultation before closure.

The Post Office, it adds, has a vital rôle to play in informing people of welfare benefits to which they are entitled.

In 1976 about 580,000 pensioners, 26 per cent of those eligible, fail to claim supplementary pensions worth £80m, and 340,000 people failed to claim £170m in supplementary allowances.

The report recommends the Post Office and the Department of Health and Social Security to make better use of letters and posters on benefits.

● The Post Office will allow purchase of telephone answering machines from next April, thus removing a powerful source of criticism that it is abusing its monopoly powers.

ITT television plant 'shake-out' reflects general market gloom

CONCENTRATION of ITT's colour television production on one plant at Basildon and the resulting loss of more than 900 jobs from the two factories to be closed in the next few months is part of a world-wide strategy to force the one losing division in the ITT "growth machine" into profit.

To do so, the company is prepared to lose even more than the $11m deficit in consumer appliances last year, and is not particularly enthusiastic about the division in the longer term.

"There is not going to be a major upturn in consumer electronics for many years," said Mr. Colin Barket, general manager of the European consumer appliances division, "so the shakeout must be thorough."

An indication of how bad ITT's former chief executive, Mr. Lyman Hamilton, had thought the situation was his decision to sell a controlling interest in consumer products to Thomson-Brandt of France.

More than any other move this intended divestment was said to be the cause of his board's loss of confidence in him and his enforced resignation this July.

His successor, Mr. Rand Araskog, is said to have the same aversion as the company's longtime chief executive, Mr. Harold Geneen, to selling off companies. He is, it seems, a pruner, not a feller.

The pruning will be severe. Even before the British closures, the company had shed four companies in the past year: at Rastatt, West Germany (loudspeakers); Pazzolo, Italy (colour television); Englen, Austria (colour television) and La Courneuve television assembly plant, France.

Though each was smaller than the UK closures, they are significant in aggregate, and the process will go on.

"We are looking at our total European production of colour televisions," said Mr. Barker, "And we are concentrating it."

Though the consumer group also makes radios, cassettes and hi-fi equipment, television is by far the most important in turnover terms. It is a market with more than its share of problems in the past five years.

NEWS ANALYSIS

BY JOHN LLOYD

Sales have slumped since the wonder years of 1973-74 as many markets became virtually saturated and the second-set market refused to compensate.

The industry was left with dramatic overcapacity when the investment ploughed into it in the early 70s proved over-optimistic. In the UK capacity is between 2.2m and 2.8m, with sales about 1.8m.

It has been recognised for some time that European set quality is generally low. Japanese brands sell, especially in Britain, on quality, not price. Linking of GEC and Rank in the UK with Hitachi and Toshiba respectively was very much aimed at raising standards.

Pressure from Japan and Korea is still largely potential rather than present. The PAL licence system has acted as an effective barrier, forcing Japanese companies to set up manufacturing plants. The PAL licences run out in the early 1980s.

ITT has thus chose the route of concentration, automation and rationalisation. It is establishing three main centres for sub-assembly production in Europe. Basildon, the only UK plant to survive, will make decoders, 750,000 a year at full production. Some 200,000 will stay in the UK, the rest go to Continental assembly plants while finished parts from Europe come to Basildon.

Mr. Barker says: "This is a tough market. Look at a list of manufacturers over the past ten years, you'll see how many little ones have dropped out. Even the medium-sized ones, like ourselves, have been forced to act aggressively."

Will it be worth it, in a market showing so little promise? "Yes," says Mr. Mike Foster, who becomes managing director of ITT Consumer Products, UK arm of the division, on Monday. "I think we're pulling out now. The second-set market is coming up, and we're getting the first of the 1973-74 replacement-set market coming up."

The company, which is 90 per cent colour televisions, takes about 10 per cent of the UK market.

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Oct. 2—Oct. 4	Southern Floorcoverings Exhibition (0243 58423)	Metropole Ex Centre Brighton
Oct. 3—4	Electrical Research Association Battery Exhibition (Leatherhead 354045)	Royal Garden Hotel, W
Oct. 3—4	London Bakers Exhibition (01-947 7781)	New Horticultural Hall
Oct. 6—9	Salon International (Hairdressing and Beauty) (01-361 8000)	Wembley Conf. Centre
Oct. 7—10	International Garden and Leisure Exhibition—GLEE (01-546 6757)	National Exhibition Centre, Birmingham
Oct. 9—11	Electronic Measuring Instruments Exhibition—EMIX (021-705 6707)	
Oct. 9—11	Medical Laboratory Exhibition (01-776 0011)	Bloomsbury Centre Hotel
Oct. 9—11	National Housing and Town Planning Exhibition (01-686 5741)	West Centre Hotel
Oct. 15—18	Video Tradex International Exb. (01-686 7181)	Harrogate
Oct. 15—20	International Food Wine and Kitchen Exhibition (06234 2442)	Wembley Conf. Centre
Oct. 17—19	On-Line Process and Environmental Analytical Instrumentation Exhibition (01-993 4684)	Bristol
Oct. 16—18	Internepcon Conference and Exhibition (01-390 0251)	Bloomsbury Centre Hotel
		Brighton

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Oct. 1—5	Chemical Plant Engineering Exhibition (01-486 1951)	Tokyo
Oct. 2—11	International Textile Machinery Exhibition (01-651 2191)	Hanover
Oct. 3—5	Hong Kong Toy and Gift Fair (01-930 7955)	Hong Kong
Oct. 5—10	Electronics Show (01-734 9638)	Osaka
Oct. 8—13	International Maritime Exhibition—RIOMAR	Rio de Janeiro
Oct. 10—13	Office Equipment Exhibition (01-340 1101)	Berlin
Oct. 10—17	International Plastics and Rubber Trade Fair (01-409 0956)	Dusseldorf
Oct. 10—18	European Machine Tool Exhibition (01-402 6671)	Milan
Oct. 13—17	International Exhibition of Women's Ready-Made Clothing (01-439 3964)	Paris
Oct. 14—22	International Hotel and Catering Industries Equipment Exhibition (01-439 3964)	Paris
Oct. 15—Nov. 15	Chinese Export Commodities Fair	Canton
Oct. 15—18	International Airport Construction and Equipment Exhibition (0727 63213)	Nice
Oct. 15—19	Frozen Food, Machinery & Equipment Exhibition—CATEREX	Tel Aviv
Oct. 21—26	International Shop and Restaurant Equipment Exhibition (01-278 0281)	Brno
Oct. 22—25	Middle East Materials Handling Show and Conference (01-486 1951)	Bahrain

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Oct. 1	BIM: Energy Saving with Microprocessors (01-405 3456)	Europa Hotel, W1
Oct. 1—4	RoSPA National Road Safety Congress (021-233 2461)	Imperial Hotel, Blackpool
Oct. 1	BIM: The Office of the Future (01-405 3456)	Europa Hotel, W1
Oct. 3	London Chamber of Commerce: Business with Czechoslovakia (01-248 4444)	69 Cannon Street, EC4
Oct. 3	Henley Centre for Forecasting: Cost and prices—forecasts to 1984 (01-236 3011)	Selfridge Hotel, W1
Oct. 3—4	Continental Conferences: Energy into the 21st Century (01-340 5262)	Grosvenor House, London
Oct. 4	Belfast Junior CofC: Grants in Northern Ireland (Belfast 20222)	Culloden Hotel, Belfast
Oct. 4	Abacus: Self Administered Pension Schemes (0604 861300)	Piccadilly Hotel, W1
Oct. 4	BIS: Distributed Systems—Today and Tomorrow (01-633 0866)	Café Royal, W1
Oct. 4	Society for Long Range Planning: Business Environment 1980 (01-235 0246)	15 Belgrave Square, SW1
Oct. 4—5	Brunel: What is Organisation Development (0895 56461)	Uxbridge
Oct. 4—5	Inst. of CA Ireland: Risks, Rewards, Resources (Dublin 681600)	Killarney
Oct. 4—5	ASM: Plant Condition Monitoring (01-385 1992)	Royal Automobile Club, SW1
Oct. 4—5	BPIF: Reducing Materials Waste (01-242 6904)	Coventry
Oct. 4—5	ASM: Detection and Prevention of Fraud (01-385 1992)	Piccadilly Hotel, W1
Oct. 5	MSS: Computers in a Production and Inventory Control Environment (Worthing 34755)	Lincoln
Oct. 5	CCC: Industrial Tribunals—Finance and Strategy of Preparing and Presenting Cases (01-223 6362)	Tara Hotel, W8
Oct. 7—10	SRI: Corporate Applications of Decision and Risk Analysis (01-686 5555)	Haslemere
Oct. 7—12	Inbucon: Improving Industrial Relations (01-908 0222)	Sanderstead
Oct. 8	BCPA: Computers for the Business Executive (01-405 1023)	Strand Palace Hotel, WC2
Oct. 8	City University: Legal Problems of Multinational Enterprises (01-606 1807)	Gresham College, EC2
Oct. 10—11	Frost and Sullivan: Finance and Accounting for Non-Financial Executives (01-486 8377)	Cumberland Hotel, W1

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Dary Corporation, 82, New Cavendish St., W., 12.00.

BOARD MEETINGS—

...

General Electric 4p
General Investors and Trustees Db. 1¼pc
General Telephone and Electronics Corpn. 68 cents
Glanfield Lawrence 8pcPf. 2.8pc
Glass, Glover 0.4165p
Glaxo Ln. 3¼pc
Granada Group A Ord. 1.44p.
Grd. Metro. 4¾pcPf. 1.6625pc. 7½pcPf. 2.625pc
4¾pcPf. 1.6625pc. 7½pcPf. 2.625pc
Greek 4pc Rentes 1889 (assd. with accept. certs.) 2pc. Stlg. Funding Bds. of 1965 2pc. 4pcLn. of 1910 (assd. with accept. certs.) 2pc. Stlg. Fndg. Bds. 1965 2pc
Greenwich 11¼pcRed. 1986 5⅝pc
Grindlays 1.0625p
Guard Bridge Paper Db. 3¾pc
Guardian Investment Tst. 4½pcPf. 1.575pc. 5pcPf. 1.75pc. Db. 2pc
Gulf and Western Inds. 18¾ cents
Halfite Hldgs. 4.5997p
Hardys and Hansons 6pcPf. 2.1pc
Hawley Leisure 0.3p
Hazlewoods (Proprietary) 2.35p
Henderson-Kenton 2p
Hicking Pentecost Ord. 5.8p
Higsons Brewery Ln. 3¼pc
Hill and Smith 1p
Hill (Philip) Invest. 5¼pcPf. 1.8375pc
Hirst and Mallinson 1.3p
Hogg Robinson 2.24p
Hellas Group 4.25p
Howard Tenens Services 1.0792p. Db. 3¼pc
Hull 2½pc Red. 1938 1¼pc. 3½pc (2nd issue) 1¾pc
IC Industries 46 cents
Illingworth Morris Ord. and A 1.15p 6½pt Pf. and 2ndPf. 2.275pc
Imperial Group Ln. 2⅝pc
Imry Property 4p
Independent Invest. Co. 7pcPf. 2.45pc
Industrial and Gen. Tst. 4½pcPf. 1.575pc. Db. 2¼. 2⅝pc
Industrial Newspapers 6pcPf. 2.1pc
Initial Servs. 5.95pcPf. 2.975pc
Internat. Telephone and Telegraph Corpn.

...

York Trailer Hldgs. 1.375p

TOMORROW

COMPANY MEETINGS—

Estates Property Invest. Trust, Gresham Club, 15, Abchurch Lane, E.C., 12.00.

BOARD MEETINGS—

Finals:
Ingall Industries

Interims:
Bunzl Pulp and Paper
Cape Industries
Downiebrae Holdings
Estates and General Investment
Harris Queensway
Hunting Petroleum Services
Samuel (H.)
Walker (C. and W.)
Weeks Associates

DIVIDEND & INTEREST PAYMENTS—
Clay (Richard) 1.6p

...

Watney Mann and Truman Db. 1⅞. 2¼pc (Irrd.)
Whitehouse (George) Engng. 7.24p
Woolworth (F. W.) 1.3475p

SATURDAY, OCTOBER 6

DIVIDEND & INTEREST PAYMENTS—
Davies and Metcalfe Ord. and A 0.45p
McMullen 6¼pcPf. 2.3625pc
Marston Thompson and Evershed 1.6425p
Owen and Robinson A and B Ord 10p
Pratt (F.) Engineering Con. Ln. 3⅞pc
Southwark 11¼pcRed. 1984-85 5⅝pc

SUNDAY, OCTOBER 7

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Cpn. Variable Rate Bds. (1/10/82) £6.05. Do. (1/10/82) £5.95
... Industries Ln. 4½pc

COMPANY NOTICES

BARLOW RAND LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF PREFERRED ORDINARY DIVIDEND NO. 3

NOTICE IS HEREBY GIVEN that preferred ordinary dividend No. 3 of 18 cents per preferred ordinary share has been declared, payable in the currency of the Republic of South Africa, to holders of preferred ordinary shares registered as such at the close of business on 19 October, 1979. Dividend warrants will be posted to those holders entitled thereto on or about 5 December, 1979.

For the purpose of determining those holders to whom the dividend will be paid the transfer books and registers of holders of preferred ordinary shares in South Africa and the United Kingdom will be closed from 20 to 26 October, 1979, both days inclusive.

The rate of exchange at which the dividend will be converted into United Kingdom currency for the payment from the office of the United Kingdom registrar will be the telegraphic transfer rate of exchange between South Africa and the United Kingdom ruling on the first business day after 16 November, 1979.

In terms of the South African Income Tax Act, 1962, as amended, a non-resident shareholders' tax has been imposed on dividends payable to:
(a) Persons other than companies, not ordinarily resident nor carrying on business in South Africa, and
(b) Companies which are not South African companies.

The company will accordingly deduct the tax, at an effective rate of 13.46115 per cent, from dividends payable to shareholders whose addresses in the registers are outside the Republic of South Africa.

The attention of preferred ordinary shareholders is drawn to the notice which appears below relative to the decleration of an additional dividend of 2.0 cents per preferred ordinary share for the year to 30 September, 1979.

By Order of the Board
W. C. WARRINER
Group Secretary
Sandton

Registered Office	Transfer Secretaries	United Kingdom Registrar
Barlow Park, Katherine Street, Sandton, 2196, South Africa. (P.O. Box 78-2248, Sandton, 2146, South Africa.)	Rand Registrars Limited, 2nd Floor, Devonshire House, 49 Jorissen Street, Braamfontein, 2001, South Africa. (P.O. Box 31719 Braamfontein, 2017, South Africa.)	Lloyds Bank Limited, Registrar's Department, The Causeway, Goring-by-Sea, Worthing, West Sussex BN12 6DA, England.

BARLOW RAND LIMITED
(Incorporated in the Republic of South Africa)

CIRCULAR TO SHAREHOLDERS

The interim report to shareholders for the six months ended 31 March, 1979 forecast that ordinary dividends for the year would total 36.0 cents per share and, in that event the preferred ordinary shares would be converted into ordinary shares ranking pari passu with the existing fully paid ordinary shares with effect from 1 October, 1979, except that those shares would not be entitled to the final ordinary dividend for the year ended 30 September, 1979.

Based on the estimated profits for the year to 30 September, 1979 it is intended to declare a final ordinary dividend of 26.0 cents resulting in total ordinary dividends for the year of 38.0 cents per share.

The final ordinary dividend will be declared on 8 November, 1979 and at the same time a further dividend of 2.0 cents per share will be declared payable to preferred ordinary shareholders. Accordingly, in terms of the company's articles of association, a notice will be published on 9 November, 1979, that the preferred ordinary shares will be converted into and redesignated as ordinary shares on Friday, 7 December 1979; that those ordinary shares will rank pari passu retrospectively to 1 October 1979 in every respect with all the other fully paid ordinary shares then allotted except that they will not be entitled to participate in or to receive the final ordinary dividend of 26.0 cents per share to be declared as set out above.

The registration dates for determining shareholders to whom the dividends are payable will be as follows:—
(i) ordinary shareholders in respect of the final dividend of 26.0 cents per share — 23 November 1979
(ii) preferred ordinary shareholders in respect of the additional dividend of 2.0 cents per share — 23 November 1979

The circular to be sent to shareholders on 9 November, 1979 will set out the full procedures to be followed by preferred ordinary shareholders relative to the surrender of their share certificates in exchange for ordinary share certificates and the amalgamation of the listing of preferred ordinary shares with that of ordinary shares on the Johannesburg Stock Exchange, the Stock Exchange, London, the Zimbabwe Rhodesia Stock Exchange, and the Bourses in Paris, Brussels and Antwerp.

This advance notice of the proposed declaration of dividends is published in view of the pending conversion of preferred ordinary shares into ordinary shares. This procedure will not be followed in the future.

By Order of the Board.
W. C. WARRINER.
GROUP SECRETARY.
28 September, 1979.

Registered Office: Barlow Park, Katherine Street, Sandton, 2196. South Africa.
(Postal: P.O. Box 78-2248, Sandton, 2146 - South Africa.)

B.A.T. INTERNATIONAL FINANCE LIMITED
100.000.000 French Francs 7½%
Guaranteed Bonds 1987

At the request of the Trustee, we hereby give notice that the nominal amount of FF 4.000.000 has been purchased on the market for redemption due November 15, 1979.

Amount outstanding: FF 76.000.000.—

The Principal Paying Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg, October 1, 1979

NOTICE OF RATE OF INTEREST
U.S. $25,000,000
BEARER DEPOSITARY RECEIPTS
Representing interests in a
FLOATING RATE CERTIFICATE OF DEPOSIT DUE 1983

BANCO UNION, C.A.
(A Venezuelan Corporation)

In accordance with the provisions of the Indenture of Trust and Deposit Agreement between Banco Union, C.A., and Citibank, N.A., Trustee and Depositary, dated as of April 1, 1978, notice is hereby given that the rate of interest has been fixed at 12$\frac{13}{16}$% p.a., and that the interest payable on the relevant interest payment date, April 1, 1979, against Coupon No. 4 to the Bearer Depositary Receipt will be U.S. $65.77 and has been computed on the actual number of days elapsed (183) divided by 360.

October 1, 1979
By: Citibank, N.A., London
Reference Agent
CITIBANK

SOCIETE NATIONALE ELF AQUITAINE
(Anc. Sté Nationale des Pétroles d'Aquitaine)
10% LOAN 1975-1985
US$ 30,000,000.—

The U.S.$ 1,200,000.— amortization due on November 1st 1979 was effected by drawing of bonds on 13th September 1979 in the presence of a notary public.
NUMBERS OF BONDS DRAWN: Nos. 6113/6542—7743/8512 inclusive.
Amount of the loan remaining in circulation after the amortization of November 1st 1979 U.S.$ 24.000.000.—
The drawn bonds cease to bear interest after November 1st 1979.
Bonds presented for repayment must have coupons as at November 1st 1980 and subsequent attached and will be payable in accordance with the conditions shown on the bonds.
NUMBERS OF BONDS ALREADY DUE FOR REDEMPTION AND NOT YET PRESENTED FOR REPAYMENT: Redemption as at 1.11.77 Nos. 5111/20 — 5833/47 — 6102/5.

The Fiscal Agent
Banque de Paris et des Pays-Bas pour le Grand-Duche de Luxembourg

UNION DES BANQUES ARABES ET FRANCAISES U.B.A.F.

LOAN OF US$25.000.000 1977/1982 FLOATING RATES

Bondholders of this loan are hereby informed that the rate applicable for the six months interest period ending 26th March 1980 has been fixed at 13$\frac{1}{16}$%.

Coupon No. 6 will be payable as from 26th March 1980, at a price of US$66.038 interest worked out on the basis of 182/360e, for the period starting 26th September 1979 to 25th March 1980 inclusive.

The Fiscal Agent
CREDIT LYONNAIS-LUXEMBOURG
24th September, 1979

MUNICIPAL TELEPHONE COMPANY OF FUNEN

9% 1976/1984 UA 10.000.000

Pursuant to the terms and conditions of the Bonds, notice is hereby given that, during the twelve-month period ending September 14, 1979, no Bonds have been purchased for the account of the Company.

Outstanding amount: UA 9,800.000.

The Trustee
FINIMTRUST SA.

Luxembourg,
October 1, 1979.

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE
NOTICE TO SHIPPERS AND IMPORTERS FUEL COSTS

The member lines of the above Conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes Ports have continued to monitor bunker costs on a monthly basis and the results of this monitoring shows that the position as at 15th September justifies a reduction in the present level of bunker surcharge.

Accordingly with effect from 15th October 1979 the bunker surcharge applicable will be reduced to the following figures:—
Dirs.8.05 per ton weight (1.000 kilos).
Dirs.5.75 per ton measurement (cubic metre).

The minimum bunker surcharge to apply to full container loads moving under services 1 and 2 will be reduced to—
20ft. containers — Dirs. 95.00.
40ft. containers — Dirs. 140.00.

The bunker surcharge will continue to be exempt from the conference currency adjustment factor and will not apply to Toronto/Hamilton additionals.

Any future changes to the bunker surcharge resulting from the monthly monitoring will be announced as and when warranted.

Atlantic Container Line G.I.E.
Canadian Pacific Steamships Ltd.
Dart Containerline Company Ltd.
Hapag-Lloyd Ag.
Manchester Liners Ltd. } Joint
Golden Cross Line Ltd. } Membership

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.
Secretaries.

Cunard Building,
Liverpool L3 1DS.
October, 1979.

NOTICE OF REDEMPTION

To the Holders of South African Iron and Steel Industrial Corporation Limited (ISCOR)
8¾% DM Bearer Bonds of 1977/80 II
Security Index Nos. 465 241-242
Drawn for Redemption on December 16, 1979

NOTICE IS HEREBY GIVEN that, pursuant to Article 3 of the Terms of Issue, on September 10, 1979 the first series of Bonds in the principal amount of DM 10,000,000 was selected by lot for redemption on December 16, 1979 in the presence of a Notary Public. The Bonds selected for redemption are those of the Series B-Security Index Number 465 242-bearing the following serial numbers: 02501-05000 of DM 1.000 each and 05751-06500 of DM 10,000 each.

Payment of Bonds selected for redemption will be made at par on and after December 16, 1979, upon surrender of said Bonds with interest coupons appertaining thereto maturing on December 16, 1980, at the following banks:
Bayerische Vereinsbank, Munich
Vereins- und Westbank Aktiengesellschaft, Hamburg
and their branches in the Federal Republic of Germany including Berlin (West).

Interest on the Bonds selected for redemption shall cease to accrue at the end of the day immediately preceding the redemption date. The amount of any missing interest coupons shall be deducted from the principal amount.

Pretoria, in September 1979.

South African Iron and Steel Industrial Corporation, Limited

CONTRACTS AND TENDERS

PEOPLES DEMOCRATIC REPUBLIC OF YEMEN

PUBLIC CORPORATION FOR ELECTRIC POWER

ADEN POWER PROJECT—

SPECIFICATION 3994/01

The Public Corporation for Electric Power invites Tenders for the supply, delivery, erection and commissioning on a turnkey basis of four 7.5MW diesel generator sets operating at a speed not exceeding 500 rev/min on heavy fuel, together with their associated mechanical and electrical auxiliaries, an electric overhead crane, the power station building, an administration block and main and training workshops all constituting a new power station to be built at Al Mansoura in Aden.

Tenderers will be required to submit financing proposals.

The tender closing date will be in early January 1980. A fixed price contract is required and tenders should be accompanied by a 5% Bid Bond valid for six months. The successful tenderer will be required to provide a 10% Performance Bond.

The Specification documents may be obtained either by application in writing to the Public Corporation for Electric Power, Hedjuff, Aden, PDRY, enclosing a cheque for 40 Yemeni Dinar which is non-refundable or to Preece, Cardew & Rider, Paston House, 165-167 Preston Road, Brighton, BN1 6AF, England, Consulting Engineer to the Corporation for this project, enclosing a cheque for £60.

Documents will be available on or after 8th October, 1979.

PUBLIC NOTICES

PORTSMOUTH CITY COUNCIL

£1.1m Bills issued 28th September due 28th December 1979 at 13 29-64ths per cent. Applications totalled £6.6m. £1.1m Bills outstanding.

COUNTY OF CLEVELAND
VARIABLE REDEEMABLE STOCK 1984

The Council of the County of Cleveland announces that the half-yearly payment on interest due on 29th March, 1980, on the above Stock will be at the rate of £7.625 (less Income Tax) per £100 Stock.

COMPANY NOTICES

NOTICE

To the Holders of
AUTOPISTAS DE CATALUNA Y ARAGON CONDESIONARIA ESPANOLA S.A.
Kuwaiti Dinars 6,000,000
8½ percent Guaranteed Notes due 1985

Holders of any of the above notes have the option to have such notes redeemed by the Company at 100 percent on April 15, 1980.

Any holder wishing to exercise this option must deposit at any time between 1st November and 30th November 1979 the notes to be redeemed with either of the following Agents:

Kuwait International Investment Co. s.a.k.
Al Mullah Building, Fahad Al Salem Street, Kuwait

Kredietbank S.A. Luxembourgeoise
37 Rue Notre Dame, Luxembourg

by

Kuwait International Investment Co s.a.k.
as Fiscal Agent

هكذا من الأصل

It may look as though the building business is moving steadily out of traditional materials and into plastics. It's happening, and the all-plastics house may be just around the corner.

Of course it could be quite some time before eager young housebuyers get a complete house in plastics. Perhaps never. But if it does happen, PVC, being the versatile material it is, will play a large part in it.

BP Chemicals already supply vast amounts of Breon PVC in many grades for cables, flooring, piping, cladding and other uses. We supply the raw materials for many other domestic and industrial uses, too. In fact there are very few homes indeed in which you won't find something from BP Chemicals.

BP Chemicals are one of the founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply. This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

BP

BP chemicals-making it all happen

Building and Civil Engineering

Balfour Beatty busy

CONTRACTS TOTALLING £3.7m have been awarded to Balfour Beatty and include a maor ob for the U.S.-based Yates Circuit Foil Company, maker of electro-deposited copper foil. The larger £2.5m contract comprises the erection and completion of a steel-framed factory building with an office block and includes plumbing, heating, mechanical and electrical installations and crane installations.

Work for Cumbria County Council, under a £1.2m contract, is for new offices and computer suite at Carlisle for the County Treasurer's department, and comprises the erection of a steel-framed building four-storey high with a total floor area of about 2,840 square metres. An enclosed area on the ground floor is to house the computer suite.

More work in Abu Dhabi

AL QUEBEISI Mowlem has received a £1.5m award from the Municipality of Abu Dhabi to rebuild the top of a sea wall. The wall is three miles long and the reinforced concrete caps on top of the sheet piled wall are badly corroded—new work involves their replacement, topped with reinforced concrete posts to support specially cast aluminium balustrading.

Abu Dhabi Gas Industries has awarded two contracts worth £⅔m to John Laing group associate company, Al Naboodah Laing, for the construction of steel-framed maintenance buildings at oil well heads Bab and Asab in Abu Dhabi.

Earthmoving contracts

CONTRACTS VALUED in excess of £6.5m have been awarded to the earthmoving and construction divisions of London and Northern Group.

In the earthmoving division, C. A. Blackwell (Contracts) in Essex, and Tractor Shovels in Edinburgh, has won £5m.

Blackwells has the earth works sub-contracts (by Reed and Mallik) on the A40 Abergavenny to Raglan improvement scheme.

Tractor Shovels work includes the construction of playing fields at Forrester School for Lothian Regional Council, site preparation for new head office of General Accident Insurance in Perth for Sir Robert McAlpine, and preliminary site preparation contract for major earthworks and road construction at Moss Morran, Fife, by the Ralph M. Parsons Company (engineer for the contract on behalf of Shell (UK), which is building a natural gas liquid separation plant on this site).

Cooling system contract

KIER International, member of French Kier group, has been awarded a £3.98m contract by the Jordan Fertilizer Industry.

Contract includes the design and construction of the seawater cooling system at the JFI new Aqaba fertiliser plant which is situated 20 kilometres south of the town.

Cooling system includes the reinforced concrete intake structure and channel, a pumping station, outfall pipe and two kilometres of connecting pipework in concrete and grp.

Work starts this month and will take about 63 weeks to complete.

Brewery work for McAlpine

CONSTRUCTION of a kegging plant at Scottish and Newcastle Breweries, Corporation Street, Newcastle premises, is to be undertaken by Sir Robert McAlpine and Sons under a £2m contract.

Work has started on the 25 metres high structure, 110 metres by 80 metres on plan, following the provision of specialised piling by Fondedile Foundations.

£6.8m work for Wimpey

SINCE MAKING its decision in late 1978 to invest £10m on a new central warehouse and distribution centre at Milton Keynes, General Motors has now announced that a further £4m will be spent on the construction of a headquarters administration office block on the same 36-acre site which will be undertaken by George Wimpey and Co.

The company has also been awarded a £2.8m contract by Central Lancashire New Town Housing to provide 216 dwellings on a site of nearly 13 acres which form part of the new Ingol Village, north of Preston. The scheme, planned around a new golf course, is for 2,000 homes plus areas of woodland and will include a new school and a village centre.

Automatic control of heat

A TEMPERATURE measurement and control system from Rohde and Schwarz is able to communicate over an IEC bus and so is particularly suitable for automatic heat control systems of modern design.

Model PTC, for example, can measure between −100 and +300 deg. C using a platinum resistance thermometer and can achieve an accuracy of 0.2 deg C and a resolution of 0.1 deg C throughout the range.

It compares the temperature measured with the nominal value that has been set: the control signal derived can then be used to switch a load relay to control, for example, a furnace.

A four-digit display can be switched for indication of actual or nominal temperature in deg C or K, and the nominal values are set using four stepping buttons.

Designated PTM, a digital version is able to work with two sensors at the same time so that temperature differences can be measured. The display then shows either temperature, or the difference.

More from the UK suppliers, Aveley Electric, Roebuck Road, Chessington, Surrey KT9 1LP (01-397 8771).

£40m Hong Kong rail award

CONSTRUCTION OF the Tsuen Wan depot and station, forming part of the Mass Transit Railway in Hong Kong is to be undertaken by Dragages et Travaux Publics under a £40m contract.

Work has started on this, the first stage of a comprehensive development at Tsuen Wan New Town and when completed it will include accommodation for over 2,000 persons principally in 17 30-storey towers together with schools and offices. These are to be constructed on a podium over the depot and station and will be known as the Luk Yeung Cheun Estate.

Apart from the station the contract includes 18 stabling sidings, seven maintenance sidings, 1.5 km of main line and a main building covering 5.5 hectares which will also constitute the podium on which future stages of the development will be built.

An enterprise of this magnitude and complexity has posed many problems for the design team. Of these, says consulting engineers Ove Arup and Partners, perhaps the most significant is the civil and structural engineering requirement to design the foundations and substructures to withstand the heavy loadings from the development over, while at the same time permitting as much free space within the depot itself.

The design of the roof of the main building is further complicated by the presence of large horizontal ducts in the podium for both collection of storm water and sewerage and distribution of all mains services throughout the Estate.

Each residential tower will be supported on 21 columns at 5.6m centres, a structural arrangement which permits the location of single rail tracks between rows of columns.

Ove Arup and Partners, who are responsible for the design of the civil and structural engineering works which comprise the present contract, are also responsible for all building services engineering with the depot together with the provision of storm water and sewerage collection and distribution of all mains services throughout the estate.

Ove Arup and Partners has also undertaken the structural analysis of the 30-storey towers including the testing of a 1 : 350 scale model of the proposed development in the wind tunnel at Bristol University. This was in order to study the loads generated by the wind action on such closely grouped high rise structures.

Section open

Completion of tracklaying for the 15 km double track main line for the modified initial system of the Hong Kong Mass Transit Railway has been effected ahead of schedule by the Henry Boot/Gammon joint venture.

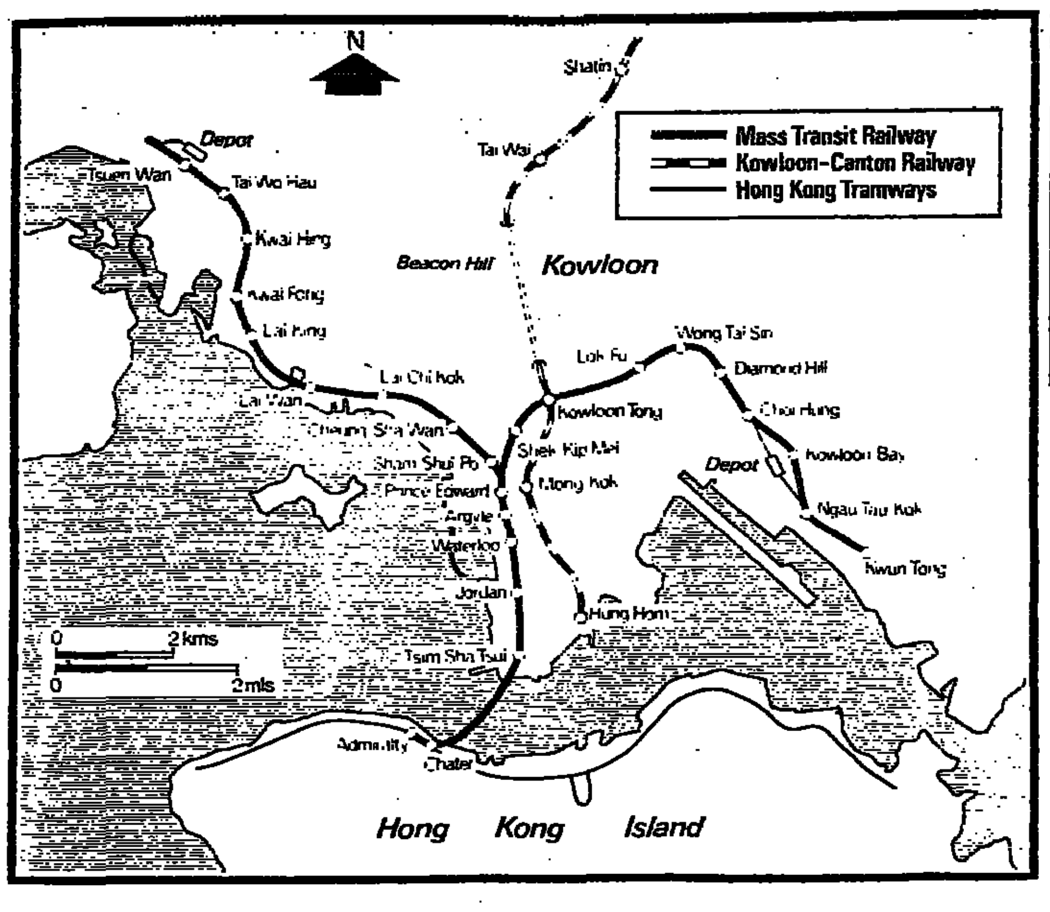
Today, the first section will be opened to the public: 8 km of track between Shek Kip Mei and Kwun Tong including six underground and three overhead stations.

On January 1, 1980 four more underground stations will be opened, and on February 12 the entire 15 km double track from Chater to Kwun Tong will be open to the public.

This multi-million pound Henry Boot/Gammon contract has involved the design, supply and installation of rail track, points and crossings as well as the track bed, ballast and all ancillary permanent way components.

Also included in the contract was track and ballast for the new permanent way depot, the provision of all maintenance workshop plant and equipment, and a rail welding plant.

The consulting engineers are Freeman Fox and Partners (Far East).



Wiltshiers gets £1.4m award

WORK HAS started on a £1.4m office block for Benn Publications on the site of a former tannery in Tonbridge, Kent. Wiltshiers is the main contractor.

Architects for this project are Casson Conder and Partners and the quantity surveyors are Axtell Yates Hallett.

When completed the building will provide about 2,780 square metres of office space on ground and two upper floors. It will be a reinforced concrete structure with brick infill panels. Completion is due in January 1981.

Heat from the sun

A RESEARCH programme on the application in the UK of solar energy for low temperature water heating is the background to a new report by S. J. Wozniak, published by the Building Research Establishment.

The book deals principally with systems for heating domestic water in single family dwellings since this is considered one of the major areas where there is likely to be a continuing interest in solar technology, says the BRE.

Copies of the report "Solar heating systems for the UK: design, installation and economic aspects" are available from HMSO, price £6 (plus 37p postage).

IN BRIEF

- Higgs and Hill has commenced construction of a single-storey extension to the Great Universal Stores transport depot on the Felling Industrial Estate, Gateshead, under a £200,000 contract, due for completion in six months.
- Y. J. Lovell (Midland) has been awarded a £622,587 contract for fitting out a new supermarket development for Tesco Stores at Dorchester Way, Coventry.

Mothercat in Nigeria

SUBSIDIARY of Mothercat, Niger Construction, has been awarded a contract worth just over £4m for the infrastructure of the housing complex for Kaduna refinery in Nigeria.

The contract was set to start in August this year and the scope of the work is broadly similar to that recently completed by the company at Warri refinery.

£4.2m for Taylor Woodrow

MAJOR JOB, in contracts totalling over £4.2m won by the Taylor Woodrow group, is a £2.3m contract for a parcels sorting complex at Nuneaton, Warwicks, for Wilkinson Transport. Project is on a 10.5 acre site on the Bermuda Trading Estate and comprises a 4,000 square metre sorting office built of structural steel with patent cladding connected with an 1800 square metre two-storey office block and workshop, vehicle washdown area and vehicle park.

In Scotland, the company has received a £900,000 contract from British Home Stores for alterations and fitting-out to an existing building at King Street central re-development in Kilmarnock.

Work comprises construction of internal walls and furnishings, installation of heating, air-cooling, sprinkler, electrical and plumbing services together with lifts, doors and the re-building of a shop frontage.

Member of the group, Myton, has been awarded a contract worth £963,000 for the construction of a residential wing to the Arthur West House—an existing hostel in Fitzjohn's Avenue, Hampstead—let by the Hyelm Movement. Hyelm was founded half a century ago by the late Arthur J. West to provide reasonably-priced accommodation for young men wanting to work or study in London and caters for recent school-leavers and those living in London for the first time with, usually, an upper age limit of early twenties.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSES

Cleans very heavy engine blocks

HIGH PRESSURE washing systems are being built by Elan Pressure Clean for Cummins Engine Company, largest independent manufacturer of diesel engines in the world, for its new facility at Shotts, in Lanarkshire.

These machines, using water at ultra-high pressure, are designed to cope with extremely large (7 cwt) diesel engine blocks.

The principle used is entirely different to that of the earlier Leyland machine in that the engine blocks enter a cabinet and are located on an indexing table which rotates them before a specially designed jetting manifold which is mounted on an XY axis.

The whole unit is controlled by a microprocessor contained within a programmable logic control system. The use of this type of control means that similar engine blocks, not necessarily of the same exact size, can also be coped with in the same machine simply by altering the program on the control system.

By concentrating high pressure water into a single manifold the unit can more effectively use the power generated and reduce the amount required to clean the block. The system has been patented.

Also developed, but not yet ordered is a further machine which, using this XY axis principle coupled with a programmable control system, goes one step further in that it incorporates a visual display unit at which the operator can sit and control the process.

Mixed run production items can be handled and, should the quantity warrant it, by a simple process the machine can be taught to carry out the washing automatically.

Elan is at 9 Park End Street, Oxford OX1 1HH. 0865 724968.

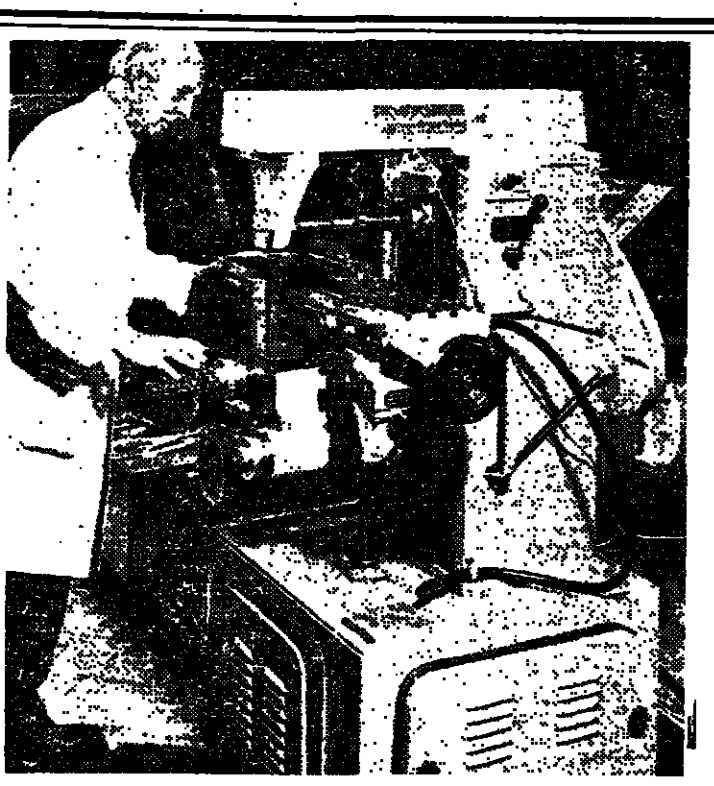
Insulation stripped

DESIGNED FOR stripping both film type insulations used in the coil industries and transformer industries, as well as extruded type insulations, such as PVC, PTFE, glass, nylon, rubber, etc., is a rotary wire stripper and twister, the K-7-B1, available from Eraser International, Unit M, Portway Industrial Estate, Andover, Hants (0264 51347).

Stripper is portable, fitted with four matched tungsten carbide tipped stripping blades which are easily adjusted by the turn of a knob for different wire sizes, and actuated by a foot pedal assembly.

Said to be fast and effective, it will produce rates of up to 3,000 pieces per hour, may be operated by unskilled labour and, due to its ease of use and short set-up time, it is suitable for either long or short production runs.

In the case of wires with stranded conductors, the individual strands of the wires are neatly twisted together which can often eliminate subsequent tinning operations. Where wires are to be inserted into crimp type connectors, there is no danger of individual strands being excluded from the connector.



A method of fabricating machine tool structures by bonding with Araldite epoxy resin adhesive has been developed by Dr. M. M. Sadek and Professor S. A. Tobias at the Mechanical Engineering Department of Birmingham University, as an alternative to the more traditional methods — casting and welding. This horizontal milling machine was built by this method. It is stated that the structures are built from frameworks of double containment joints linked by plates. The advantages of the technique are reduced costs, elimination of the need for stress relieving, possibility of improving and developing existing structures, reduced noise emission and improved vibration characteristics. Unlike fabrication by casting, no part of the structure needs to be thicker than is necessary and as an equally stressed structure can be achieved no stress relieving, is required.

● LAUNDERING

Lessens the risk of accidents

BUCKINGHAM PALACE, London Zoo, All England Lawn Tennis Club, Broadmoor, and a large number of equally well known British institutions have benefited from in-house laundry systems designed and installed by Automations International, 11 Bath Road, Heathrow, Hounslow, Middx (01-759 9441).

Now, with the gift to Dr. Barnados, Croydon, of a Canadian commercial washing machine with a "fail to safe" lid lock, Automations has preempted the Health and Safety at Work Act, by introducing to this country a machine specifically designed to meet statutory requirements.

One regulation becoming more tightly enforced in launderettes and laundry rooms is that relating to access to moving parts, particularly for top loader washing machines when the spin sequence is in operation.

Soon, it wil not be sufficient for the drum to be braked to a halt within the time specified in the maker's handbook if the lid can be opened during the spinning operation. By the early 1980s, environmental health officers will require that the lid be kept locked closed during the entire spin sequence and until the drum has stopped rotating. In most cases, says the company, it will not be possible to modify existing machines, hence the launching now of the "fail to safe" model.

What the words mean, this side of the Atlantic, is that the lid lock is operational only in spin periods and spin cannot occur with the lid open or if lid lock fails to operate. In the event of power failure during spin (such as a blown fuse, etc.), the lid remains locked for 45 to 60 seconds and fast stop brake mechanism (three seconds) is retained.

Apart from the important safetw factor, other features are a pump guard that prevents foreign objects from entering the pump or damaging fabrics or stopping the machine, and the Inglis permanent press system which cools the clothes down gradually. This means that garments float in the water as the water temperature drops and, as clothes float freely in this cooling water, they are able to return to their original shape without ugly wrinkles which usually occur if fabrics are spun before they are cooled.

● CATERING

U.S. cooking equipment

COMMERCIAL kitchen equipment manufactured by General Electric of the U.S. under the brand name Americana is to be marketed in the UK by G.F.E. Bartlett and Son of Maylands Avenue, Hemel Hempstead, Herts (0442 64242).

Among the most sophisticated of the various items of cooking units to be offered is a range of microprocessor controlled fryers. Operation of these units is continuously monitored and the control system automatically adjusts frying time to compensate for changes in oil temperature and variations in load size or load timing.

The fryers have oil capacities of 3½ to 7½ gallons and outputs of 55 to 61 lb of chips per hour. If a load of chips has not been fried in 30 minutes the unit automatically switches off. A warning light shows when food overload drops the oil temperature excessively.

Other equipment to be marketed includes a convection oven which can be left unattended and is particularly suitable for ovenight cooking and three cooking griddles for use on counters.

● COMPONENTS

Air pipes set up quickly

FAST assembly of pneumatic systems can be made with the range of Super Speedfit push-fit tube couplings available from CompAir Maxam. As well as permitting connections to be made in seconds, dismantling is also extremely fast.

The miniature couplings are available in a variety of joint designs including straight, elbow and tee connectors, straight and stem adaptors, reducers and bulkheads, and offered in sizes suitable for 4, 5, 6, 8, 10 and 12 mm tubing. A unique tube gripping design allows the 4, 5 and 8 mm fittings to grip $\frac{5}{32}$, $\frac{3}{16}$ and $\frac{5}{16}$ tubes.

Each lightweight fitting comprises a three-piece assembly—a zinc body, a nitrile "O" ring seal and an acetal tube-holding collet fitted with a stainless steel retaining ring to give an extremely reliable and strong joint.

The range is suitable for systems piped in nylon, copper, brass and steel, accepting most makes of metric tubing to be found in piped control systems.

Each miniature coupling is ideal for fast assembly of piped pneumatic control systems, particularly those where space is at a premium. Prior to connection, the tube is cut cleanly at right angles, then simply pushed into the assembly. As the tube passes into the collet the retaining ring and seal provide a very strong connection affording maximum protection against any possible flow leakage up to 145 psig (10 bar) operational pressures.

CompAir Maxam, Camborne, Cornwall. 0209 712750.

● ELECTRONICS

Automatic label printer

NEW ELECTRONIC equipment for counter service use has been introduced by W and T Avery to produce, automatically, printed labels.

The Retail Label Dispenser (RLD) Mk. 2 unit uses signals from an Avery 1750 digital scale to print weights, prices/lb and sales prices on self-adhesive labels.

To obtain a ticket, the counter assistant weighs the commodity on the 1750 and presses the RLD's print key. After checking electronically that the scale displays are steady—to guard against fraud—the RLD prints and ejects the label, automatically peeling off the backing paper and rewinding it iternally.

Available in three sizes, the tickets are carried on rolls in quantities up to 1,500, the roll being cassetted for rapid insertion into the dispenser. For cleanliness and convenience, the print ribbon is also loaded by cassette.

RLD can be used with both 10 lb and 20 lb capacity models of the 1750. It prints all sales prices to the nearest ½p and weights to the nearest ⅛ or ¼ oz, depending on the scale's capacity.

This compact, low-cost unit can also be used for totalising the number of packs and their sales prices over any period.

W. and T. Avery, Smethwick, Warley, West Midlands. B66 2LP. 021-558 1112.

● DATA PROCESSING

All set for expansion

SINCE BUYING the minority stock interest held by Gamma Associates of Nottingham, Gamma Products of Chiswick has changed its name to Karlin Computer Systems which (with Karlin Computer Services will be co-ordinated by Karlin Computer Holdings, Gable House, Turnham Green Terrace, London W4 (01-995 3721).

The company continues to market all the system products formerly marketed by Gamma Computer Products, and will go on to expand the Olympic family of computers, which are based on DEC LSI-11 processors. Further products are in the pipeline and are to be announced shortly.

Foremost in the current day-to-day activity of the company is the setting up of a dealership network for the Olympic (Gifford Systems has already taken its tenth unit).

Karlin has been developing a range of DEC replacement and enhancement software, the first of which offerings is to be launched officially in the near future, promises the company.

The maintenance service operation has, currently, a full time team of 20 engineers (30 by the end of the year when the operation moves to a new factory facility) and organisations using Olympic systems have already signed maintenance contracts with Karlin Computer Services, including MFI, United Drapery Stores, House of Fraser, Pembro, Royal Ocean Racing Club, ADS, Aeonics, Arenson International and Access Consultants.

Karlin Computer Systems is offering its DEC LSI-11 based Triton and Proteus systems configured with its rapid dis-emulating mass storage system—the Micro-Store.

New unit for Philips

DELIVERY of a six-megabyte, 12 channel Amdahl 470V/5-11 system to the Philips Industries Centre in Croydon, just announced, follows installation of an Amdahl 470V/7 machine at Philips corporate headquarters in Eindhoven, The Netherlands.

The V/5 replaces an IBM 370/155 from which it takes over extensive on-line and batch-work; it will also take over some of the batch-work run currently as part of the operation of a 370/158.

This UK Amdahl system also incorporates the first delivery to a customer anywhere of the 470/Accelerator, which provides the ability to meet short-term increases in demand, by the issue of a simple operator command which augments — for a predetermined time — the performance of the V/5 or V/5-II.

● MATERIALS

Withstands extreme cold

FIRST applications of castings made from new grade of spheroidal graphite iron, developed by Chilwell Foundries of Nottingham, to give high impact strength at very low temperatures, will be on winches being used in methanol plants at Gubaha and Tomsk in Siberia.

Built by the Thompson Winch division of Sykes Pumps and supplied by John Zinc for incorporation in the plants, which are projects of Davy International, the winches incorporate the new grade of graphite iron to avoid the danger of embrittlement or disintegration of the drums at low temperatures.

V22 is the first SG iron to combine high impact strength at temperatures as low as −50°C with high tensile strength at more normal temperatures and up to +50°C.

Significance of the development is that castings can now be produced that are suitable for components used in a wide range of operating temperatures—from Arctic to tropical conditions—with no loss of strength at extremes of temperature, which is the case with all other grades of ductile iron yet produced.

In addition to much lower cost, considerable advantages are claimed over steel and welded structures, which are limited in terms of the complexities of shape that can be achieved.

Characteristics of V22 are 27 tons tensile strength with 24 per cent elongation—the percentage strength before breaking—and attached impact resistance of 20 joules per sq cm—i.e. amount of energy absorbed.

Chilwell anticipates a growing market for the metal because of its suitability for a wide range of operating temperatures and the increasing amount of work being carried out in Northern sub-zero regions.

هكذا من الأصل

Walt's hand still rules Disney

BY ARTHUR SANDLES

A BRITON whose business includes the selling of tours to California recently ran a campaign which included a large model of Mickey Mouse. The campaign, he thought, had just the right air of fun and holiday happiness. But the men from Disney did not share his view. Not only was Mickey being exploited without permission but, an even worse crime it seemed, the lovable mouse had been drawn with four fingers and a thumb while the real cuddly little rodent has a thumb and three fingers. Talk of lawyers and writs had the ring of reality rather than fairy tale and the British promoter withdrew.

Mickey is a possession of impressive value and remarkable staying power, and the way he is protected is typical of the Disney way of management and commercial life. Behind the smiling face that authorises products ranging from a new Mickey Mouse post office telephone in the UK to a 5m copy book from Exxon, "Mickey Mouse and Goofy Explore Energy Conservation," lies a tiny, highly centralised management power system that is almost military in its concepts of delegated authority and organisational discipline.

Drawn from the one woman, eight man board is an executive committee of three—Ronald Miller, who runs the production and creative side of Disney, Donn B. Tatum, chairman, and E. Cardon (Card) Walker, president and chief executive. There is never any doubt that Card Walker is king at Disney. He has been a top manager since the mid-1950s, and was one of the right-hand men of Walt Disney himself (Walt died in 1971).

From the central offices in Burbank, California, stretches a web of communication and control which at first glance looks remarkably thin. A little over 2 per cent of total revenues went on general and administrative costs last year ($17.2m out of $741.1m). Disney publishes books in Japan, sells educational materials in Italy and markets films just about everywhere with surprisingly few staff. The elegant Disney offices in London, among the biggest outside the U.S., are nevertheless a tiny complex of rooms in the heart of London's clubland, Pall Mall—so discreet that the London telephone directory does not even list a number for Walt Disney Productions.

Disney executive's power seems extensive—"we are trusted"—but sharply defined. Negotiations with a Disney manager is likely to prove a confusing combination of decisiveness and referrals upwards.

The confusion is cleared a little when the Disney ethic is understood. Officially, this means strict financial controls and close adherence to rules forbidding the association of the Disney name with anything to do with liquor, cigarettes, sex or gambling (none of which is on sale in the Disney leisure parks, at least by Disney).

Unofficially it means that when anything tricky comes up a Disney man tends to look skyward and ask what Walt would have done in the circumstances.

This looking up to Walt's memory gives an added dimension to the group image, even in a country where corporate identity is fiercely promoted.

© Walt Disney Productions World Rights Reserved

Even when you cut a Disney man he seems to bleed loyalty.

"What happens if they catch you with your hand in the till?" I once asked a Disney executive who had been talking of the remarkably unsupervised life he led. The question stopped him in mid conversation with a perceptable judder. The prospect was so unthinkable that it had clearly never crossed his mind. When it did, however, it became clear that this apparent executive freedom is subject to the supervision of well trained strike forces of Burbank auditors.

Nonetheless, the relative lack of corporate bureaucracy seems to encourage a high level of motivation among middle and upper management, who see the lines to the top as fairly short. But they can be inhibiting to junior staff who catch more of the discipline than the power. Staff at Disney's operations in Orlando and Anaheim are expected to operate by the book.

A quasi-religious dedication to the Disney ethic, which includes not only a protective view of the Disney characters but also an enthusiasm for the promotion of the American way of life—"clean-living," and the rest—creates problems for the central management caucus, just as it can frustrate younger elements who feel they should be given more flexibility.

The growth of this extraordinary organisation's two main areas of business, motion pictures and amusement/leisure parks, will be examined in tomorrow's Management Page. What with dissatisfaction in the ranks of its all-important animators, the cold wind of the energy crisis, and the ageing of the American population, the going is far from easy.

Never mind the price—feel the quality

Christopher Lorenz on a CBI study of the importance of innovation

GOOD NEWS for frustrated British exporters! The dizzy heights to which sterling has clambered need not render you uncompetitive. Just pay more attention to meeting the customer's needs, with better-quality products, and you'll find him more than ready to pay the extra price.

That, in grossly simplified terms, is what is meant when economists and other luminaries counsel you to pay more attention to "non-price factors," and break through your obsession with prices.

New evidence that such an approach actually works comes from a study on "Innovation and Competitiveness," published today by the Confederation of British Industry. It is based on the overwhelming response of 56 small and medium-sized manufacturing companies to a series of questions from the CBI late last year on product and process development, marketing, manufacturing and other aspects of business policy.

The survey's significance suffers somewhat from the small size of the sample, but since the firms were chosen at random, and come from 17 different sectors, "broad qualitative trends were readily discernible," to quote the CBI.

Asked to explain the various factors behind their sales success, both abroad and at home, only seven companies cited "low price." In stark contrast, 54 cited "good customer service," while 45 named "specialisation." "High standard of product" was cited 39 times, and "Innovation" 29.

Critics might object that this striking pattern of response may have been distorted by managers' rationalising after the event, or telling the CBI what it obviously wanted to hear.

They should take a look at the same companies' reasons for their own purchases of manufacturing plant. Roughly the same pattern emerges. In spite of the fact that the rapidly escalating cost of plant is a particular burden for smaller companies, the respondents all placed great emphasis on non-price factors, which frequently outweighed cost as the main criterion in purchasing.

So long as many British companies continue to be preoccupied with selling their products largely on price, their attitude can only spell harm for their own well-being, and that of the balance of payments.

As the CBI survey shows, this is as much a matter of lost sales at home as of missed exports. The 56 companies were very keen to buy British manufacturing plant for their factories, but this was often frustrated by practical considerations, says the CBI: "Degree of sophistication, reliability of deliveries and quality of servicing were among the more recurrent areas of criticism.

In several areas, the report goes on, particularly in newer industries, "the initiative for the manufacture of new equipment seems to have passed abroad almost completely."

Even in some of the older industries, such as engineering castings, where British equipment is still purchased, there are indications that overseas competition is gaining a foothold, says the report.

In contrast with these criticisms the CBI report is thoroughly complimentary about the way that most of the 56 companies in its survey—some of them manufacturers of process machinery—were managing their development of new products and processes, whether they involved "incremental" (step-by-step) innovations, or more "inventive" (radical) ones.

To start with, almost all of them were following an active policy of development. Incremental innovation predominated (61 projects were cited by the companies), but the number of "inventive innovations" was by no means negligible (17).

A significant point in the light of controversy about the role of the National Research Development Corporation (see this page last Friday) is the CBI's comment that comparatively few of the inventive innovations had been patented.

Mechanical inventions were considered difficult to protect, and "electronics development was moving forward so rapidly that patenting was irrelevant." Overall, the cost and time involved in patenting were deterrents.

The CBI survey paid particular attention to the way the companies were organising new product and process development. The authors of the report consider that some of the findings and observations were sufficiently common to suggest that they were significant factors in successful development. They were as follows (not in order of importance):

- Responsibility for new product and process development is vested in a member of the Board.
- Support and/or participation by the Chief Executive.
- Good rapport between marketing, production and development.
- Effective use of external sources of technological help and advice.
- Close collaboration with customers in product design.
- The presence of technologists on the Board.
- Effectively screening ideas and monitoring the progress of approved projects.

As he said when presenting the study, Mr. Austin Bide, chairman and chief executive of Glaxo and chairman of the CBI's research and technology committee, "successful commercial innovation depends principally on the leadership and inspiration of individuals."

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

One man and his dog . . . or dogs?

BEING HUMAN, I make mistakes and am even willing to admit them sometimes. But I refuse to concede that something I wrote back in March caused a reader to break a leg. Nor, indeed, an awkward liaison directly after the accident.

On the subject of exercise, I suggested that the very best method was to buy a strong dog. I did not say *three dogs*. It is true that I have an elderly patient whose health has been immeasurably improved by buying a *second* dog because, owing to the considerable difference in age between the two creatures, he now has to take two walks a day—one slowly and the other at great speed.

Three large labradors together, however, can be difficult, and I am not surprised that, when the superb beasts became interested in a lady basset, they tripped their owner up, causing the injury to which I referred. Naturally I am sorry about that, and also that he is in trouble with the lady who now owns a pedigree basset and three charming puppies with short legs, long hair and beautiful faces. But I disclaim responsibility when people over-respond to suggestions.

As "leisure" injuries seem to be increasing, I feel more should be written on the subject. Village fêtes are not places one would regard as markedly perilous but I must mention one recent injury. It was only a severe bruise on a bottom: the sufferer had been standing too near the back of a coconut shy.

Another rarity was a fractured rib sustained by a 72-year-old man taking part in a Thames Barge race. He was not struck by a boom: he merely leaped over too far to pick his heavy dog from the quay.

Obviously more common are injuries sustained while indulging in year-round sports. Squash is the most popular. Injuries are usually soft tissue lesions like muscle and tendon strains. Sometimes a doctor can appear to be very clever about these, almost Sherlock Holmesian.

If a good player has an injury, I suggest that he has not been playing an equal but a novice. Equal players seldom suffer. The good player faced with a novice does not want to lose and, because his opponent produces unorthodox shots, these have to be countered in an equally unorthodox manner which takes the unfortunate body off guard.

Jogging is declining slightly and may suffer a further setback after President Carter's wobbles. Most of the casualties are among fat, middle-aged males, but I met an unexpected problem with a charming young girl. She used to run daily in the country, her trips taking her through several farms. Dogs often joined in, and on one occasion she gathered over 20 assorted tykes. All was well until a fight broke out and a whippet, aiming for a spaniel, accidentally bit a lissom calf of the Pied Piperess.

Most jogging casualties are not very serious. True, there have been a few deaths from heart-failure, one or two poor souls have been run over, and there have been ruptured Achilles tendons, but a majority involve muscle-damage.

On questioning, one usually finds that the sufferer has suddenly subjected long-lazy, ageing tissues to absurd strains. Apart from pain and temporary disability, such patients are depressed because they think that the cause is advancing senility. It is true that a man of 20 can stand more than one of 60, but much depends on regular practice. If one buys a new car and leaves it idle for a year it is far more likely to break down than an old banger that has been run steadily every day of the year.

Although I do not wish to discourage jogging, provided it is built up slowly and done regularly, I still wonder a little at its physical benefits. Although the morale may be boosted, there is no real evidence to show that it makes for a more coronary-proof constitution.

As to weight-reduction, exercise only lowers weight by the loss of sweat (and water weighs 10 lbs a gallon) which is soon recovered. If the runner would perform *instead* of eating a gigantic business lunch, then he would really lose weight. Unfortunately, like fish to performing dolphins, huge meals seem a just reward to panting pounders.

Again I suggest one dog to take you for walks. Even without such pleasant compulsion, or in addition, try walking to the station and back again. Climb stairs (step by step, so to speak) instead of using lifts. Try the top deck of double-decker buses. But please do not suddenly run for a bus, for this can be traumatic and exasperating. Better be late than *the late* executive.

". . . exercise only lowers weight by the loss of sweat . . . which is soon recovered."

LOMBARD

The flight from the dollar

BY ANATOLE KALETSKY

IN JUNE it was sterling, then it was gold and silver, then the Deutsche Mark, now it is back to gold, platinum, copper and even lead. Since the spring, the world's financial markets have been gripped by a kind of fever, as international investors have cast about for alternatives to the dollar. The subject of "portfolio diversification" will loom large at this week's IMF conference. It is even possible that, after six years of prevarication, a decision will be taken to establish an IMF Substitution Account, which would enable central banks to spread their currency risks by swapping dollars for Special Drawing Rights.

Pressures

But as Mr. Gordon Richardson, governor of the Bank of England, has said, this would make only "a modest contribution towards increasing the status of the SDR and reducing the portfolio instability of present arrangements . . . In the meantime, the pressures to hold more reserves in the form of claims on the world's higher performing economies are likely to grow." And this means that the downward pressures on the dollar are likely to continue.

What seems to be less widely accepted, however, is that, even if the U.S. were to regain its place among the "world's higher performing economies," the dollar would remain under pressure. It would be entirely rational for investors with very large dollar holdings to seek other assets, even if President Carter managed to put his house in order, if the balance of payments moved back into surplus and if the American inflation rate reverted to single figures or was compensated by high interest rates. Indeed the massive inflow of foreign direct investment into the U.S. suggests that businessmen all over the world think that the dollar is undervalued on these fundamental economic grounds. The U.S. is particularly attractive to manufacturers because of the steady decline in its relative unit labour costs since 1972.

Nevertheless, it is widely assumed that the persistent weakness of the dollar implies that there are major structural deficiencies in the American economy, despite its relatively low unit labour costs. It is argued that these deficiencies, such as excessive energy consumption, have to be remedied before international action to support the dollar can be expected to work. The recent massive intervention by central banks to support the dollar was doomed to failure, on this view. Technical measures such as the IMF substitution account and international currency swaps are regarded with suspicion, or even resisted, as mere palliatives which disguise America's real problems and responsibilities.

In fact these palliatives, including, most importantly, straightforward intervention by Germany's Bundesbank, are absolutely necessary to allow currency portfolios to be diversified in a reasonably orderly way. They are not defending an artificially high exchange rate for the dollar, because the imbalances between the American and the German (or Swiss, or Japanese) economies are in the capital, not the current, account. The problem is not that the world's consumers refuse to buy American goods, but, as Mr. Richardson has pointed out, that the world's investors want more claims on the German, Japanese and other economies. Unfortunately the dollar's unique role as a reserve currency since the Second World War has created an international capital market in which claims on the American economy far exceed all other assets. Lapsing into monetary jargon, the dollar's role as a store of value is vitiating its function as a medium of exchange.

Dangerous

The most important prerequisite for re-establishing a stable world currency system is not a devaluation of the dollar, or a cut in America's energy consumption. It is an increase in the supply of non-dollar assets, coupled with a corresponding reduction in the volume of dollars, so that the total level of world liquidity is not increased. Non-dollar assets can be suplied by the IMF or by the German, Swiss or Japanese and other central banks. But it is the Federal Reserve that will be largely responsible for ensuring that total world liquidity is not allowed to increase as investors switch from dollars into other currencies. Since the total assets held by non-industrialised countries' central banks and by the Euro-markets exceed $600bn, the task ahead is gigantic, difficult and dangerous. This is all the more reason why it must be planned and regulated coherently by the world's central banks and the IMF.

Being consistent about pornography

THE WEEK IN THE COURTS

BY JUSTINIAN

PORNOGRAPHY HARDLY seems the stuff of legal argument over free movement of goods within the Common Market.

But last week the European Court at Luxembourg heard a reference from the House of Lords seeking answers to questions about the prohibition on import into this country of obscene and indecent literature emanating from sources in the EEC.

The case of Rv. Henn and Darby arose out of a consignment of films and magazines that arrived at Felixstowe from Rotterdam in October 1975. Examination of the material by Customs officials showed that it had originated in Denmark, Germany and Sweden.

The films were all 8 mm, used ordinarily in domestic projectors. They depicted detailed and explicit sexual activities between human beings as well as acts between humans and animals.

Customs evasion

The magazines were largely composed of photographs of the same nature, some them exclusively devoted to photographs of naked girls aged between five and 14. All the magazines depicted commission of crimes such as rape, abduction of women, buggery, indecent assault and acts of gross indecency with or towards children under 14.

At Ipswich Crown Court in July 1977 two men were convicted of a number of offences relating to their mail order business in pornographic material, including an offence under the Customs legislation of fraudulently evading the prohibition on the import of pornography that has existed in UK legislation since 1876.

The two men appealed unsuccessfully to the Court of Appeal, which declined to refer any questions to the European Court arising from legal argument on the relevant provisions of the Rome Treaty.

But earlier this year the Law Lords entertained an appeal and framed a number of questions for the European Court before disposing of the case.

Article 36 of the Rome Treaty provides an exception to prohibition of any restriction being placed by a member-State on import and export of goods in the Common Market.

It states that prohibitions or restrictions may be placed on imports, exports or goods in transit where they are "justified on grounds of public morality, public policy or public security." But any such prohibitions or restrictions must not be used as a means of arbitrary discrimination or disguise restriction in trade between member-States.

The Government contends that while the term "public morality" does not appear anywhere else in the treaty, and has so far not been subjected to any judicial consideration, it is self-defining. Any attempt to define would simply mean indulging in semantic refinement.

"Public morality" is however bound to vary from country to country, and it would be inappropriate to establish any international standard. Hence each member-State must be allowed an area of discretion on questions of national morality.

Questions of "indecency" and "obscenity" fall plainly within the category of human attitudes and social values encompassed by the notion of "public morality."

It matters not that in the UK both legislation and administrative practice vary as to what activity is a breach of the law and what offends moral standards. The argument is that action by Customs officials may be taken for the purpose not merely of crime prevention but also to enforce moral standards as reflected in domestic legislation.

The opposing argument is that the public morality exception can be invoked only if there is discernible within a single member-State a clearly defined policy or consistent rules of public morality relating to pornography. And no such clear policy exists.

There are two different and distinct criteria in English law for dealing with pornography: mere possession of pornography is no offence under either criterion.

It is illegal to sell or exhibit in a public place articles that are either obscene or indecent. They may otherwise be published or sold, provided that they are not sent through the post. Articles may not be published under the second category, concerned exclusively with obscenity, which the legislation has defined as "tending to deprave and corrupt."

The consequence of this legal duality is that pornographic material that merely shocks and repels the reader is not caught by the test of obscenity and falls outside the criminal law, provided of course that it is not sold or exhibited in the streets or sent through the post.

The second main question that the European Court is being asked to pronounce upon concerns the second limb of Article 36: Does the fact that the prohibition on import of pornography—namely, seizure and forfeiture by the Customs merely for fraudulent evasion of the prohibition—go beyond the criminal law of possession and publication constitute an arbitrary discrimination or disguised restriction on trade?

In other words, does the difference in treatment between that given the importer by the Customs authorities, and that given the pornographic pedlar hawking his wares by the police, deprive the Government of relying on the public morality exception to prohibiting entry of such goods from Common Market countries?

The European Court's own decision on this problem seems to indicate that a difference in treatment can be justified by reason of particular considerations or circumstances, that apply only when the goods are being imported and are necessary to maintain that difference in treatment in order to achieve the particular objects of public policy or public morality.

Discrimination

In an earlier case the court considered that different treatment accorded to imported goods as opposed to domestic products did not constitute arbitrary discrimination where it was based on the need to prevent spread of harmful organisms: there was reason to believe, in the light of previous experience, that there was a risk of the harmful organisms spreading if no inspection could be held at the moment of importation.

Is seizure of pornography on importation necessary as a special measure to safeguard public morality? Stopping the flood of pornography at the port of entry may well help sustain the public desire to limit the outlet of foreign pornography.

In short, different treatment of non-comparable situations does not lead automatically to the conclusion that there is discrimination. Discrimination, however, would be present if either similar situations were treated differently, or dissimilar situations identically.

Clearly the purpose of Article 36 is to strike at measures introduced by countries which, although appearing to be taken on grounds that are justifiable, are in truth nothing more than a crude attempt to discriminate in favour of home products as against imported goods.

But once an import restriction is justified on the grounds of public policy or public morality, it cannot be invalidated as arbitrary discrimination. Justifiability and arbitrariness are mutually inconsistent concepts.

* * *

The new law year begins today under the shadow of the impending report from the Royal Commission on Legal Services, due to be published on Wednesday. The burning question is whether all the leaks of the report in the summer that presented a picture of cosy approval for the workings of the legal profession is borne out by the Commissioners' conclusion. As the judges and barristers march in procession today through Westminster Abbey, and later through the Royal Courts of Justice, there will be a keen anticipation that the legal establishment and its traditional institutions are secure for the foreseeable future.

Kris proves a true champion

RACING

BY DOMINIC WIGAN

THOSE WHO had until Saturday not accepted Kris as a true champion can now have little doubt that Newmarket's leading miler is a three-year-old of the highest grade.

In winning the Queen Elizabeth II stakes at Newbury, Lord Howard de Walden's colt proved that he could maintain a tremendous gallop over a mile from the outset. There have been few, if any, tougher performers in recent years.

Kris, who brought his score to ten victories in 11 outings, will thankfully be in training next year due to his owner's sporting outlook. Although the winning margin of five lengths over Foveros slightly flattered the Warren Place colt, he would undoubtedly have had plenty of daylight to spare even if Edward Hide had not accepted the inevitable on the runner-up 100 yards from the post.

In spite of Willie Carson's determined effort to retain his jockey's championship title, it now seems certain to have gone beyond recall. In addition to winning on Kris, Joe Mercer scored on two other Cecil runners, Hello Gorgeous and Evita. Hello Gorgeous' winning margin of a length over Star Way did not reflect her overwhelming superiority. A 33-1 chance for next year's Derby, Hello Gorgeous may well be a classic animal in the making.

This afternoon at Newbury it may well be the same story for Cecil. Mercer can take the Kinrara stakes, in which Nocino does duty instead of Many Moons.

NEWBURY

2.00—Queen's Gallery***
2.30—Nocino**
3.00—Francesco*
3.30—Easymede
4.00—Fidibus
4.30—Susarma

Canadian seal pelt ban sought

THE ROYAL Society for the Prevention of Cruelty to Animals is to start a major campaign today to try to persuade the Government to ban the import of Harp seal products.

The society will hold public meetings across the country until October 12. The main speaker will be Mr. Richard Adams, the RSPCA's vice-president and author of the novel "Watership Down."

The RSPCA claims that the Canadian Government's arguments supporting the annual kill of Harp seal pups are "erroneous and the kill unjustifiable."

The kill begins in the first week of March. The RSPCA hopes to secure a British ban before the Canadian Government announces its latest seal pup quota, which it will fix soon.

TV/Radio

†indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.00 For Schools, Colleges. 11.25 You And Me. 11.40 For Schools, Colleges. 12.45 pm Pope John Paul II in Ireland: At Shannon Airport. 1.30 News. 1.45 Fingerbobs. 2.01 For Schools, Colleges. 3.15 Harvest Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Lippy Lion. 4.25 Jackanory 3000. 4.40 Battle of the Planets. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Noah and Nelly.

5.40 News
5.55 Nationwide (London and South East only)
6.20 Nationwide
6.55 Angels
7.20 The Rockford Files
8.10 Panorama
9.00 News
9.25 The Horse of the Year Show
10.45 Film 79
11.15 Roadshow Disco
11.40 News Headlines/Regional News

All Regions as BBC-1 except at the following times:—

Scotland—11.00-11.20 am and 2.18-2.38 pm For Schools. 5.55-6.20 Reporting Scotland. 11.40 News and Weather for Scotland.

Wales—10.38-10.58 am I Ysgolion. 1.45-2.00 pm Pili Pala. 2.18-2.38 I Ysgolion. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Angels. 7.40-8.10 Where Are They Now? 11.40 News and Weather for Wales.

Northern Ireland—5.55-6.00 am Pope John Paul II in Ireland (At Maynooth). 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

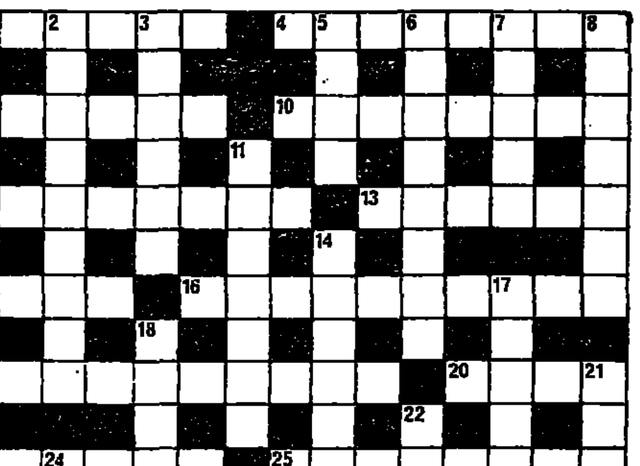
6.40-7.55 am Open University
9.30 Labour Party Conference from Brighton
11.00 Play School
11.25-12.30 pm Labour Party Conference from Brighton
1.35 Roadshow Info
1.45 Let's Go
2.00 Labour Party Conference
4.50 Open University
6.55 Time Out Of Mind
7.20 Tex Avery Cartoons
7.30 Mid-Evening News including sub-titles
7.40 A Diary of Britain
8.30 The Two Ronnies
9.00 Alec Guinness in "Tinker, Tailor, Soldier, Spy"
9.45 Horizon
10.35 Soho After Dark
11.15 Late News on 2
11.45 Closedown reading

CHANNEL

Channel is the only IBA company transmitting programmes during the present industrial dispute. Details of this local service a e given below.

1.20-1.30 pm Channel Lunchtime News, What's on Where and Weather. 5.00 Puffin's Birthday Greetings 5.05 Clue Club 5.30 Lost Islands 6.00 Report at Six Extra. 7.00 Fishing with Bernard. 7.30 Documentary. 8.30 TV Movie: "Abduction of St. Anne." 9.50 Channel Late News Headlines, Weather. 9.55 Jericho. 10.50 French News.

F.T. CROSSWORD PUZZLE No. 4,087



ACROSS

1 A symbol of authority with its paths (6)
4 Hon. uncle provides a meal (8)
9 Abroad you need intelligence to get the better of anyone (6)
10 There is a standard beauty for upstarts (8)
12 Mycroft's more famous brother (8)
13 Fashionably dressed and ready to start (2, 4)
15 The appearance of people about one (4)
16 Automatic claim he can make (10)
19 Thinner on top? Run away, that's nonsense (10)
20 The party turns one to the island (4)
23 Dickens character has drink with the governor (6)
25 Changed mode well matured (8)
27 The sources of idle tales are not newlyweds (3, 5)
28 Sailor meets Scot on the road (6)
29 The doctor gets the girls syrup (8)
30 Old airline takes numbers to the festivities (6)

DOWN

1 The Duce comes up to work with an animal (7)
2 How a fighter may be saved (2, 3, 4)
3 Sufferings that help the team (7)
5 Look in as you pass and see the tree (4)
6 Opera garden includes an agreement (8)
7 Bond number selector—but not 007 (5)
8 One of two air ducts under a bridge (7)
11 Religious beliefs from the south lead to long effusions (7)
14 Catches up after tea to punish (7)
17 When the Lady President loses one, Mrs. Mopp turns up (9)
18 Let feints be blessings in disguise (8)
19 Lack of social graces displeasing to teacher (3, 4)
21 Little figures but they denote power (7)
22 Split causes a number to quit (6)
24 The youngster comes up to me for a decoration (5)
26 Sounds like the top dog (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m 693kHz/433m	3	1215kHz/247m & 90-92.5vhf stereo
2	909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis 9.00 Simon Bates 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jonson 7.00 Stayin' Alive. 8.00 Mike Read 9.50 Newsbeat. 10.00 John Peel (s). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (s). 12.15 pm Waggoners' Walk. 12.30 Pete Murrey's Open House (s) 2.15 David Hamilton (s). 4.15 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 6.45 Sports Desk. 7.02 Music from the Movies (s). 7.30 Alan Dell with The Dance Band Days and at 8.02 The Big Band Sound (s). 9.02 Humphrey Lyttelton with The Best of Jazz on records (s). 9.55 Sports Desk. 10.02 Town and Country Quiz. 10.30 Star Sound. 11.02 Sports Desk. Horse of the Year Show (report). 11.15 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music with Patrick Lunt (s)

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Overture Concert, part 1 (S). 8.00 News. 8.05 Concert, part 2. 8.55 Rural Rhymes. 9.00 News. 9.05 This Week's Composer: Weber (S). 10.00 Singer's Choice. 10.30 Hans Gal concert (S). 11.10 Cello and Piano Recital (S). 12.05 pm Halle Orchestra, part 1 (S). 1.00 News. 1.05 Halle Orchestra, part 2 (S). 1.55 Music for Organ (S). 2.30 Matinee Musicale (S). 3.30 Hindemith sonata (S). 3.50 New Records (S). 5.25 Homeward Bound (S) including 5.45-5.50 News (‡ and mono only from 5.45). ‡6.15 At Home 7.10 Vladimir Horowitz concert (S). 7.45 Graham Greene at 75 (S). 9.00 A Radio Concert from Paris, part 1: Rameau, Hindemith (S). 9.45 Changing Qualities of Chinese Life. 10.05 Concert from Paris, part 2: Schumann, Busoni (S). 10.55 Jazz in Britain (S). 11.30-12.00 Nocturne (S) including 11.50-11.55 News.

VHF only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today. Reports from Dublin, Peking, Brighton, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 The Lacquer Lady by F. Tennyson Jesse. 11.00 News. 11.05 Between Two Worlds: Talk with Asian teenagers, living in the Midlands. 11.50 Let's Get Rid of. . . . 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre (S). 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Small, Intricate Life of Gerald C. Potter. 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play (S). 9.15 Chapter and Verse. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night (S). 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Paul Owens' Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Turn Up The Volume: "Lord of the Flies" for English Literature students. 8.45-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM with Bob Holness and Doug Cameron. 10.00 The Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports. 8.00 After Eight Special. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Monty at Large. 5.00 Mo ning Music.

Capital Radio

6.00 am Breakfast Show with Mike Smith (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Adrian Love's Open Line (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (s). 2.00 am Peter Young's Night Flight (s).

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards 240 5258. Reservations 836 3161. ENGLISH NATIONAL OPERA. Tomor & Fri 7.00: Aida. Wed & Sat 7.30: La Cenerentola. Thurs 7.30: Patience. 104 balcony seats available from 10 am on day of perf. Booking now open for November.

COVENT GARDEN. CC. 240 1066. (Gardencharge Credit Cards 836 6903.) THE ROYAL OPERA. 1979-80 Season commences tonight. Tonight 7.30 World Premiere Fri 7.30. John Tavener's THERESE. THE ROYAL BALLET. Wed, Thurs 7.30, Sat 2.00 & 7.30. ROMEO & JULIET.

SADLER'S WELLS THEATRE. Rosebery Ave. EC1. 837 1672. Last Week. Evgs. 7.30. Mats. Wed. Sat. 2.30. PACO PEÑA'S FLAMENCO COMPANY. "A blaze of Spanish sunshine." "Bravo, must be seen." E. News.

SADLER'S WELLS THEATRE. Rosebery Ave. EC1. 837 1672. Oct. 9-20. Whirligig Theatre Presents THE POTTERS OF CABBAGE PATCH CORNER. Oct. 9: 2 pm only. Oct. 10-20: 10.30 am & 2 pm. Sats. 2 pm & 5 pm. "A milestone in Children's entertainment." Theatre Review.

THEATRES

ADELPHI. CC. 01-836 7611. A SUMPTUOUS NEW PRODUCTION OF MY FAIR LADY. "SMASHING." "A SHEER DELIGHT." Evgs. 7.30. Mats. Thurs 3.00. Sats. 4.00 and 7.45. TONY BRITTON, LIZ ROBERTSON, PETER BAYLISS and ANNA NEAGLE in THE WORLD'S GREATEST MUSICAL MY FAIR LADY. Reduced price previews OCTOBER 19 to 24. Book now. Adelphi Theatre and Agents. Credit card & party bookings 836 7611.

ALBERY. From 8.30 am incl. Suns. 836 3878. CC. bkgs. 836 1071-3. Evgs. 7.45. Thurs. and Sat. 4.30 and 8.00. A THOUSAND TIMES WELCOME IS LIONEL BART'S OLIVER. "MIRACULOUS MUSICAL." Financial Times. With GEORGE LAYTON, HELEN SHAPIRO, MARGARET BURTON. Party rates and student stand-by avail.

ALDWYCH. CC. 836 6404. Info. 836 5332. Fully air conditioned. ROYAL SHAKESPEARE COMPANY in repertoire. Low price prevs from Wed 7.30. British premiere Dario's CHILDREN OF THE SUN. With: LOVE'S LABOUR'S LOST. "The evening offers nothing but enchantment." D. Express (next perf 12 Oct). Moss Hart and George S. Kaufman's ONCE IN A LIFETIME (next perf 17 Oct). RSC also at The Warehouse (see under W).

AMBASSADORS. CC. 01-836 1171. Evgs. 8.00. Fri. and Sat. 5.30 and 8.30. DINSDALE LANDEN, GWEN WATFORD, DAVID BURKE, ANGELA DOWN in BODIES by James Saunders. "ITS IMPACT HIT ME LIKE A THUNDERBOLT FROM LOVE. THIS LANGUAGE BLAZES WITH WIT AND INTELLIGENCE AND IT THEM ELECTRIFIES." Daily Mail. "WHEN WE HAVE LAUGHED AT ITS WIT, BEEN HELD IN THE GRIP OF ITS DRAMA, AND FELT THE COLOUR AND LAYERS OF ITS LANGUAGE, BODIES STILL RAISES ECHO AFTER ECHO IN OUR MINDS AND HEARTS. DINSDALE LANDEN'S PERFORMANCE IS WORTH GOING MILES TO SEE." Bernard Levin. BODIES. "MR. LANDEN GIVES WHAT I INSIST IS THE BEST PERFORMANCE IN A MODERN PLAY NOW TO BE SEEN IN LONDON." E. News.

APOLLO THEATRE. CC. 01-437 2663. Evgs. 8.0. Sat. 5.0 and 8.0. Mat. Th. 3.0. PAUL EDDINGTON, JULIA FOSTER in HAPPY BIRTHDAY. A VERY FUNNY NEW COMEDY BY THE AUTHORS OF BOEING BOEING. "FEYDEAU LIVES ON." Gdn. "IT WILL PROBABLY RUN AND RUN." Daily Mail.

ARTS THEATRE. 01-836 2132. TOM STOPPARD'S DIRTY LINEN. "Hilarious . . . see it." Sun. Times. Monday to Thursday 8.30. Friday and Saturday at 7.00 and 9.15.

BOULEVARD TH. at the Raymond Revue Bar, Walker's Ct., Brewer St. CC. Paul Raymond presents Queen of Adult Sex Films. LE DEEP THROAT. Exclusive British Appearance. LIVE ON STAGE. Plus Banned by the Censor, the Hottest look at sexual permissiveness ever filmed. Twice nightly Mon.-Sat. 8 and 10 p.m.

CAMBRIDGE. 01-836 6056. CC. 01-836 7040. Mon. to Fri. 8.0 pm. Sat. 5.45 and 8.30. THE HIT BROADWAY MUSICAL. GREAT FAMILY ENTERTAINMENT. CHICAGO. Punch. "A TRIUMPH." On Old Jazz. "THERE HASN'T BEEN A MUSICAL IN LONDON FOR A LONG TIME THAT COMES WITHIN A MILE OF IT." F.T. "THE BRIGHTEST, BOUNCIEST MUSICAL COMEDY IN TOWN." New. CHICAGO. "WILL BE ENTERTAINING LONDON FOR A LONG TIME." Evening Standard. CHICAGO. "AN UNDOUBTED SUCCESS." D. Tel. CHICAGO. "ALL RAZZLE DAZZLE." E. News. "WITTY AND STYLISH." Sun. Express. CHICAGO. "THERE IS NO COMPARABLE MUSICAL IN LONDON TODAY." Observer. CHICAGO. "A SUPER EVENING'S ENTERTAINMENT." Sunday Express. CHICAGO. "THOUSAND WELCOMES . . . IT WOULD BE A CRIME TO MISS IT." Reduced prices for parties. Student stand-by £2.00.

COMEDY THEATRE. CC. 01-930 2578. Mon. to Fri. 8.0. Sat. 5.30 and 8.30. THE ONLY ROCK 'N' ROLL SHOW. THE ROCKY HORROR SHOW.

CRITERION. From 9.00 am incl. Suns. 930 3216. CC. bkgs. 836 1071-3. Mon.-Thurs. 8.0. Fri. and Sat. 5.45 & 8.30. "THE FUNNIEST EVENING YOU COULD WISH FOR." BARRY CHAMBERS, PAMELA STEPHENSON, DAVID FIRTH in TWO FINER PERFORMANCES IN LONDON. BENT by Martin Sherman. Directed by Robert Chetwyn. "FASCINATING . . . A WORK OF CONSIDERABLE DIGNITY AND PASSION." Guardian.

DUCHESS. 01-836 8243. Mon. to Thurs. Evgs. 8.00. Fri. and Sat. 5.30 and 8.15. OH! CALCUTTA! "The nudity is stunning." Daily Mail. 10th INCREDIBLE YEAR.

DRURY LANE. CC. 01-836 8108. Evgs. 8.00. Mats. Wed. 3.00. Sat. 5.45, 8.45. THE NEW FAMILY SHOW in a comedy by Richard Harris. CAROL CHANNING. "Funny and tender." F. Times. "HELLO DOLLY! DAZZLING." "A DREAM COME TRUE." F. Times. HELLO DOLLY! GROUP BOOKINGS 01-734 2293.

DUKE OF YORK'S. CC. 01-836 5122. Evgs. 8.00. Thurs. 3.00. Saturday 5.00 and 8.00. AGATHA CHRISTIE'S MURDER AT THE VICARAGE. FIFTH GREAT YEAR.

FORTUNE. CC. 01-836 2238. Evgs. 8.00. Thurs. 3.00. Sats. 5.00 and 8.00. AGATHA CHRISTIE'S MURDER AT THE VICARAGE. FIFTH GREAT YEAR.

GARRICK. CC. 01-836 4601. Evgs. 8.00 (sharp). Wed. 3.00. Sat. 5.30 and 8.30. GARETH HUNT in IRA LEVIN'S DEATHTRAP. "BEST THRILLER." Daily Telegraph. "VERY INGENIOUS. VERY FUNNY. VERY EXCITING." Fin. Times.

GLOBE THEATRE. CC. 01-437 1592. Mon. to Fri. 8.00. Mats. Wed. 3.00. Saturdays 5.00 and 8.00. ANTHONY ROGERS, GEMMA CRAVEN, DIANE LANGTON, ANDREW C. WADSWORTH, DAVID HEALEY in SONGBOOK. A new musical by MONTY NORMAN and JULIAN MORE. "A TOUCH OF MUSICAL MAGIC." Sun. Tel. "NOW THIS STUNNING OCCASION. THE BEST BRITISH MUSICAL OF THIS YEAR AND A FEW GONE BY." Fin. Times. "VERY FUNNY." Often Hilarious. RECEIVED WITH DELIGHT." Eve. Standard. "THE CAST IS BRILLIANT." Evg. News.

GREENWICH THEATRE. CC. 01-858 7755. Evenings 8.00. Mat. Sats. 2.30. THE PASSION. COMEDY OF PARADE by Anne Valery. "Entertaining comedy. I can see it doing well." Gdn. "Very funny." Obs.

HAYMARKET. 01-930 9832. Evenings 8.00. Wed. 2.30. Sat. 4.30 and 8.00. GERALD HARPER, KATE O'MARA in THE SHERLOCK HOLMES MYSTERY THE CRUCIFER OF BLOOD by Paul Giovanni. "The kind of spectacle I cannot recall since boyhood . . . terrific stuff." E. News.

HER MAJESTY'S. CC. 01-930 6606. Evgs. 8.00. Mats. Wed. 3.00. Sat. 4.15 and 8.15. THE CASE OF THE OIL LEVANTINE. The new play by ANTHONY SHAFFER, AUTHOR OF SLEUTH. Starring HYWEL BENNETT. "ANTHONY SHAFFER'S LATEST THRILLER TO END ALL THRILLERS PARODIES THE CLASSIC AGATHA CHRISTIE COUNTRY HOUSE MURDER MYSTERY." Now. "MAZE FULL OF PLEASURE TWICE AS SLIPPERY AS SLEUTH AND WICKEDLY INGENIOUS." E.D.P. "MR. SHAFFER HAS WRITTEN A HIGHLY ENTERTAINING PIECE OF INTRICATE NONSENSE WITH A SATISFYING BIZARRE AND GRUESOME MURDER." Eve. Standard.

KING'S HEAD. 226 1916. From Tomor Dnr 7. Show 8 SHADES OF BROWN. A new South African play by Michael Picardie.

LYRIC THEATRE. S. CC. 01-437 3686. Evgs. 8.00. Mats. Wed. and Sat. 3.00. JESSICA TANDY, HUME CRONYN in the Award-winning Comedy THE GIN GAME. Directed by MIKE NICHOLS. "TWO RARE AND SUPREME PERFORMANCES." Guardian. "EXTREMELY FUNNY." New Yorker. LAST WEEK. MUST END SAT.

LYRIC HAMMERSMITH. 01-741 2311. Now rebuilt and restored to its original Victorian splendour. Theatre opens 18 October. Booking opens soon for Shaw's comedy YOU NEVER CAN TELL.

LYRIC THEATRE. S. CC. 01-437 3686. Opening October 17. 7.30. Red. price preview Oct. 16. 8.00. RICHARD BRIERS, PAUL EDDINGTON in A NEW COMEDY by Michael Frayn. MIDDLE AGE SPREAD.

MAYFAIR THEATRE. 01-629 3036. Evenings 8.0. Fri. and Sat. 6.0 and 8.30. DEREK WALSH. THE HIT THRILLER WHO KILLED AGATHA CHRISTIE? "The best thriller since 'Sleuth.'" New Statesman.

NATIONAL THEATRE. S. CC. 928 2252. OLIVIER (open stage): Tonight 7.30 (low price prevs) RICHARD III by Shakespeare. LYTTELTON (proscenium stage): Tonight 7.45 BEDROOM FARCE. COTTESLOE (small auditorium): From 15 Oct at 8.0 (promenade season) LARK RISE by Keith Dewhurst. Excellent cheap seats from 10 am day of perf. all 3 theatres. Car park. Restaurant 928 2033. Credit card bookings 928 3052.

OLD VIC. 928 7616. Old Vic Company. Repertoire Season returns 18th Century Comic Opera and Ballet. THE PADLOCK/MISS IN HER TEENS.

OPEN SPACE. 387 6969. Tues. to Sun. 8. Brecht's PRIVATE LIFE OF THE THIRD REICH. "Not to be missed." Guardian.

PALACE. CC. 01-437 6834. Mon.-Thurs. 8.00. Fri. and Sat. 6.00 and 8.40. JESUS CHRIST SUPERSTAR by Tim Rice and Andrew Lloyd-Webber.

PALLADIUM. 01-437 7373. YUL BRYNNER in Rodgers and Hammerstein's THE KING AND I. Also starring Virginia McKenna. NOW BOOKING. Evenings 7.30. Mats. Wed. and Sat. 2.45.

PHOENIX THEATRE. CC. 01-836 2294. Ev. 8.00. Wed. 3.00. Sat. 5.0 and 8.30. TIM BROOKE-TAYLOR, GRAEME GARDEN in NIGHT AND DAY. A new play by TOM STOPPARD. Directed by Peter Wood. BEST PLAY OF THE YEAR. Evening Standard Drama Award.

PICCADILLY. From 8.30 am incl. Suns. 437 4506. CC bookings 836 1071. Evgs. 8.00. Wed. 3.00. Sat. 4.30 and 8.00. PETER BARKWORTH in THE ROYAL SHAKESPEARE COMPANY production of Peter Nichols' PRIVATES ON PARADE. CAN YOU HEAR ME AT THE BACK? "WONDERFUL PLAY, BRILLIANTLY WRITTEN." "SUPERBLY ABSORBING PIECE OF ENTERTAINMENT." Gdn.

PRINCE EDWARD. CC. 01-437 6877. Evenings 8.00. Mats. Thurs. at 3.00. EVITA by Tim Rice and Andrew Lloyd-Webber. Directed by Harold Prince.

PRINCE OF WALES THEATRE. 930 8681. Credit Card bookings 930 0846. Reduced price previews 8, 9, 10 Oct. at 8 pm. Opens Oct. 11 at 7.00 pm. An Evening with TOMMY STEELE.

QUEEN'S THEATRE. S. CC. 01-734 1166. Mon.-Fri. 8. Wed. Mat. 3. Sat. 6 & 8.15. JULIA McKENZIE, MAUREEN LIPMAN in a comedy by Richard Harris OUTSIDE EDGE. "A PERFECT MATCH OF THE WEST END." "FRESH, FUNNY & INGENIOUS." Evg. Std. "QUITE SPLENDID." S. Exp. "THIS EXCELLENT COMEDY." Standard. Over 500 performances.

RAYMOND REVUEBAR. CC. 734 1593. At 7.00, 9.00, 11.00 pm. Open Suns. PAUL RAYMOND presents THE FESTIVAL OF EROTICA. 22nd Sensational Year. Fully air-conditioned.

ROYALTY THEATRE. Portugal Street, Kingsway. WC2. 01-405 8004. Queen West. Thrs Oct. Half price previews from 3rd Oct. "New York's Smash Hit." FOR COLOURED GIRLS WHO HAVE CONSIDERED SUICIDE WHEN THE RAINBOW IS ENUF. Evenings at 8.00. Fri. and Sat. 5.00, 8.00. Box Office Open Now. Credit card bookings. Group Sales Box Office 01-379 6061. Or Freecall.

ROYAL COURT THEATRE UPSTAIRS. 730 2554. Prevs. Tomor. to Thu. Opens Fri. Then Mon-Sat til Oct 20. All Perfs 7.30 pm SUS by Barrie Keeffe.

ST. GEORGE'S—The only Elizabethan Theatre in London. Tufnell Park Road, N7. 607 1128. "Don't to Thur" Mat. JULIUS CAESAR. Thur Eve to Sat AS YOU LIKE IT. 24-hour booking service.

ST. MARTIN'S. Credit cards. 836 1443. Evgs. 8. Mat. Tues. 2.45. Sat. 5 & 8. AGATHA CHRISTIE'S THE MOUSETRAP. WORLD'S LONGEST-EVER RUN. 27th YEAR.

SAVOY THEATRE. 01-836 8888. Credit Cards 01-734 4772. Tom Conti in WHOSE LIFE IS IT ANYWAY? with Jane Asher. Reduced price previews from Oct. 31. Mon.-Thurs. 8.00. Fri. and Sat. 5.45 and 8.45. Group bookings 01-437 3856.

SAVOY THEATRE. 01-836 8888. Credit Cards 01-734 4772. "BILL PATERSON . . . One of the rare young acting talents." WHOSE LIFE IS IT ANYWAY? PLAY OF THE YEAR. SIX WEST END THEATRE AWARDS by Brian Clark. "Momentous play, I urge you to see it." Guardian. Evgs. 8. Sat. 5.45 and 8.45. Red. price Wed. mats. 3 and 4 weeks. Ends Oct. 27.

SHAFTESBURY THEATRE. 01-836 4255. Nightly 8.0. A repertoire season. The dramatic Edinburgh Festival hit. A smash hit of the Edinburgh Festival. "HYSTERICALLY FUNNY." Scotsman. Tonight. Wed & Saturday.

STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Sat. 5.30 and 8.30. NO SEX PLEASE—WE'RE BRITISH. LONGEST-RUNNING COMEDY IN THE WORLD.

TALK OF THE TOWN. CC. 01-734 5051. AIR CONDITIONING. CREDIT CARDS. CELEBRATING 2 YEARS. From 8.00. Dining and Dancing. 9.30 SUPER REVUE BUBBLY. At 11: ROLF HARRIS.

VAUDEVILLE. CC. 01-836 9988. Evs. 8. Mat. Wed. 2.45. Sat. 5 and 8.30. DINAH SHERIDAN, DULCIE GRAY, ELEANOR SUMMERFIELD, JAMES GROUT in THE FAMILY REUNION by T. S. ELIOT. "Sheer magic." Financial Times. "This is Eliot's greatest play." D. Tel.

VICTORIA PALACE. CC. 01-828 4735-6. 01-834 1317. Evgs. 7.30. Mats. Wed. and Sat. 2.45. ANNIE. "UNBEATABLE FAMILY ENTERTAINMENT." Observer. "Best musical of the year 1978." Evg. Std.

WAREHOUSE. Donmar Theatre, Covent Garden. Box Office 836 6808. Royal Shakespeare Company. Tonight 8.00. THE MERCHANT OF VENICE (sold out).

WESTMINSTER. CC. 01-834 0283. Evgs. 7.45. Mats. Wed. and Sat. 3.00. GILBERT AND SULLIVAN'S THE MIKADO. "The best Mikado I've ever seen." What's On. "A surprise at its delight." The Stage.

WHITEHALL. CC. 01-930 6692-7765. Monday to Thursday 8.00. Fri. and Sat. 6.45 & 9.00. IPI TOMBI. "Its a foot-stamping, pulsating action-packed African musical." News of the World. FOURTH GREAT YEAR.

WINDMILL. CC. 01-437 6312. Twice nightly at 8.00 and 10.00. Suns. 6.00 and 8.00. PAUL RAYMOND presents RIP OFF. The erotic experience of the modern era. Fourth great year.

WYNDHAM'S. From 8 am incl. Suns. 836 3028. Credit card bkgs. 379 6565. Mon.-Thurs. 8.00, Fri. and Sat. 5.15, 8.30. "ENORMOUSLY RICH." Mary O'Malley's smash-hit comedy ONCE A CATHOLIC. "Supreme comedy of sex and religion." Daily Tel. "MAKES YOU SHAKE WITH LAUGHTER." Guardian.

YOUNG VIC. 928 6363. From Wed Eve 7.30 HAMLET and ROSENCRANTZ & GUILDENSTERN ARE DEAD in Repertoire.

CINEMAS

ABC 1 & 2 SHAFTESBURY AVE. 836 8861. Sep. perfs. ALL SEATS BKBLE. 1: IN-LAWS (A). Wk. & Sun. 2.00, 5.00, 8.10. 2: PHANTASM (X). Wk. & Sun. 2.00, 5.10, 8.10.

CLASSIC 1, 2, 3, 4. Oxford Street. 636 0310 (opp. Tottenham Court Road Tube). 1: Peter Bogdanovich's SAINT JACK (X). Progs. 1.45, 4.00, 6.20, 8.40. 2: J. R. R. Tolkien's THE LORD OF THE RINGS (A). Progs. 12.30, 3.05, 5.40, 8.20. 3: George Hamilton LOVE AT FIRST BITE (AA). Progs. 1.25, 3.40, 5.50, 8.10. 4: THE GREEK TYCOON (AA). Progs. 1.15, 3.40, 6.10, 8.35.

CLASSIC 1, 2, 3, 4, 5. Haymarket (Piccadilly Circus Tube). 839 1527. 1: THE IN-LAWS (A). Progs. 1.00, 3.20, 5.45, 8.15. 2: THE LORD OF THE RINGS (A). Progs. 12.45, 3.20, 5.55, 8.30. 3: PORRIDGE (A). 4: TO RUSSIA WITH ELTON (U). Sep. perfs. 2.00, 5.15, 8.30. 5: DYNAMITE WOMEN (X). Progs. 1.30, 4.55, 7.45.

CLASSIC. Leicester Square. 930 6915. David Carradine DEATHSPORT (X). Continuous 12.30, 2.30, 4.30, 6.30, 8.30.

CURZON, Curzon Street, W1. 499 3737. LEE REMICK in THE EUROPEANS (U). Progs. 2.00 (not Sun). 4.00, 6.20, 8.40. "As near perfect as you could wish for." Alexander Walker. Evening Standard.

LEICESTER SQUARE THEATRE. 930 5252. THE CHINA SYNDROME (A). Sep. progs. Dly. 1.15, 4.45, 8.15. Seats bookable for 8.15 prog. Mon.-Fri. and all progs. Sat. and Sun.

Continued on Page 4.

Festival Hall

Cleveland Orchestra

by RONALD CRICHTON

The famous American orchestra under their conductor Lorin Maazel ended a European tour on Friday with a single Festival Hall appearance devoted to Brahms and Wagner. The programme mentioned an industrial sponsor but gave no indication of official support. Does this explain the absence of any work by an American composer? That an ensemble of such excellence should come to London and do nothing to open our ears further to a repertory still too unfamiliar (we don't hear enough of Elliott Carter, we hear virtually nothing of another distinguished senior composer Roger Sessions: anyone could supply other names) is a shame.

The gap was not adequately filled by a second half consisting of four bits of Wagner. Not, to be fair, and except for Siegfried's funeral music from *Götterdämmerung*, what an earlier generation would have called "bleeding chunks." The *Flying Dutchman* and *Mastersingers* overtures and the *Tristan* Prelude and Liebestod as adjusted by Wagner are respectable enough concert pieces taken one by one, but London hears more than enough Wagner in the opera house to make this compendium superfluous.

With mild reservations about some rather unruly chattering by the *Mastersingers* apprentices, the playing was luxurious. It was sometimes brass-heavy, but interesting even then for details of brass writing (in the funeral music, for example) which aren't always clearly heard in the opera house, least of all in Wagner's own pit at Bayreuth. As interpretation the performances offered nothing in particular. The *Dutchman* storm suggested a spectacle rather than an experience. The deep burnish on the *Tristan* excerpts did not disguise the fact that Maazel's feeling for the nerve and muscle in the music is less profound than Goodall's, fresh in the memory.

The Third Symphony of Brahms, played in the first half, was the true focus of the concert. A brisk and business-like reading of a score whose exposed, chamber-musical writing can tell one more about a visiting orchestra than many a late-romantic war-horse. Apart from some top-line shrillness in the first movement exposition (which would no doubt have come right if the repeat had been given) intonation and chording were admirably true.

Many passages that often glide by unnoticed were given distinction by the gravely beautiful tone of the inner string parts. Everything was played, by strings and wind, with the care normally given to solo phrases. The stresses and strains of the finale, so cogently presented, explained and partly excused the general lack of one important element in the symphony—the elusive trace of autumnal wood smoke that drifts through its pages.

Nickolas Grace in 'The Padlock' — Leonard Burt

Old Vic

A Garrick pair

by B. A. YOUNG

To mark the bicentenary of Garrick's death, the Old Vic offers a double bill of small but charming pieces associated with him. Before the interval comes Charles Dibdin's light opera *The Padlock*, written for Garrick at Drury Lane, and dedicated to his wife. Then there is a short play of Garrick's own, *Miss in Her Teens*, one of the most successful pieces in his Covent Garden season in 1747.

The story of *The Padlock*, borrowed by Isaac Bickerstaffe from Cervantes, is of sublime simplicity. Leonora is engaged to the elderly Diego and in love with the young Leander. One day Diego says he will go away for the night, and imprisons Leonora with a vast padlock; but Leander, with the aid of Diego's black servant Mungo and his housekeeper Ursula, breaks in. When Diego comes back he is overcome by the charms of young love, and the plot is ended.

Dibdin's music survives only in the form of melody lines with figured bass, and Donald Fraser has orchestrated it for a little orchestra. The songs are no more sophisticated than the libretto, but they are very tuneful and pleasant (Dibdin wrote "Tom Bowling"), and the company sings them with the kind of expertise you would expect from, say, a rep company doing *The Beggar's Opera*. Besides the charming music, there is a fine comic part for Mungo, which Dibdin himself played in 1768. Here it is done by Nickolas Grace with an admirable understanding of the formulae used in less race-conscious days for black parts, formulae that have come down to us by way of Christie Minstrels.

Miss in Her Teens has much the same plot. Miss Biddy is engaged to old Simon, but is in love with Captain Loveit, who courts her in the name of Rodolfo. When he calls at her house in Sir Simon's absence, he finds two rivals on the scene—Fribble, a pouf who is mostly concerned with his own appearance, and who claims to have invented knitting; and Flash, a rip-roaring military man who proves to be a coward. Once again, the old man gives in to the younger claimant, though there is a comic grace-note in the situation—Sir Simon turns out to be Captain Loveit's father.

It is very enjoyably done in a mock-18th century vein, with a small proscenium on the stage. Once again the comedy is the thing, and once again it is Nickolas Grace, as Fribble, that runs away with much of the credit. But there is comedy elsewhere this time, too, from Prunella Scales as Biddy's servant Tag (her aunt's, actually, but the aunt hasn't much to do) and Benjamin Whitrow as Loveit's servant.

David Firth, who sings Leander in *The Padlock*, plays Loveit most gallantly, and Isla Blair is his beloved in both pieces. Ursula and the aunt are taken by Meriel Dickinson; Diego and Jasper (Sir Simon's servant, with a better part than his master) by David Bacon.

Toby Robertson directs *The Padlock*, John Dove *Miss in Her Teens*. The designs are by John McMurray, and the seven-strong band is conducted by Robin Davies.

A fine exhibition of pictures of and about Garrick has been mounted in the theatre.

Architecture

Temples of power

by COLIN AMERY

Last week Sir John Betjeman cut a cake that was a sponge and icing model of Battersea Power Station. The cake was surrounded by a motley collection of architectural historians, electricity enthusiasts, professional party-goers and all the eccentricity now attached to the promotion of architectural history. But this gathering of the aesthetic clans in the bizarre setting of the National Liberal Club was in a good cause. The Cygnet Press, an infant of the renowned Curwen Press, has just published a remarkable and beautiful book. *Temples of Power* is an expensive, limited edition of a large format book of lithographs by the illustrator Glynn Boyd Harte with a learned commentary by the historian Gavin Stamp.

The most remarkable thing about the book is, apart from the calculated eccentricity of its subject, the fact that it is one of the most beautiful examples of fine book production that has been seen for a long time. The publishers deserve the highest praise for their brave decision to revive the art of the beautiful book. At £85 it is a book collector's instant bargain.

In his introduction to it the Poet Laureate writes in an oblique way about the fascination of the great buildings that house the machines that supply us with our electricity. He writes with great kindness and enthusiasm about the architect, Sir Giles Gilbert Scott, the creator of the great brick temples of electricity. Scott was, as Betjeman reminds us, keen to experiment with brick and stone. It is this ability of Giles Gilbert Scott to transform traditional materials into unmistakably modern buildings that is celebrated in this book.

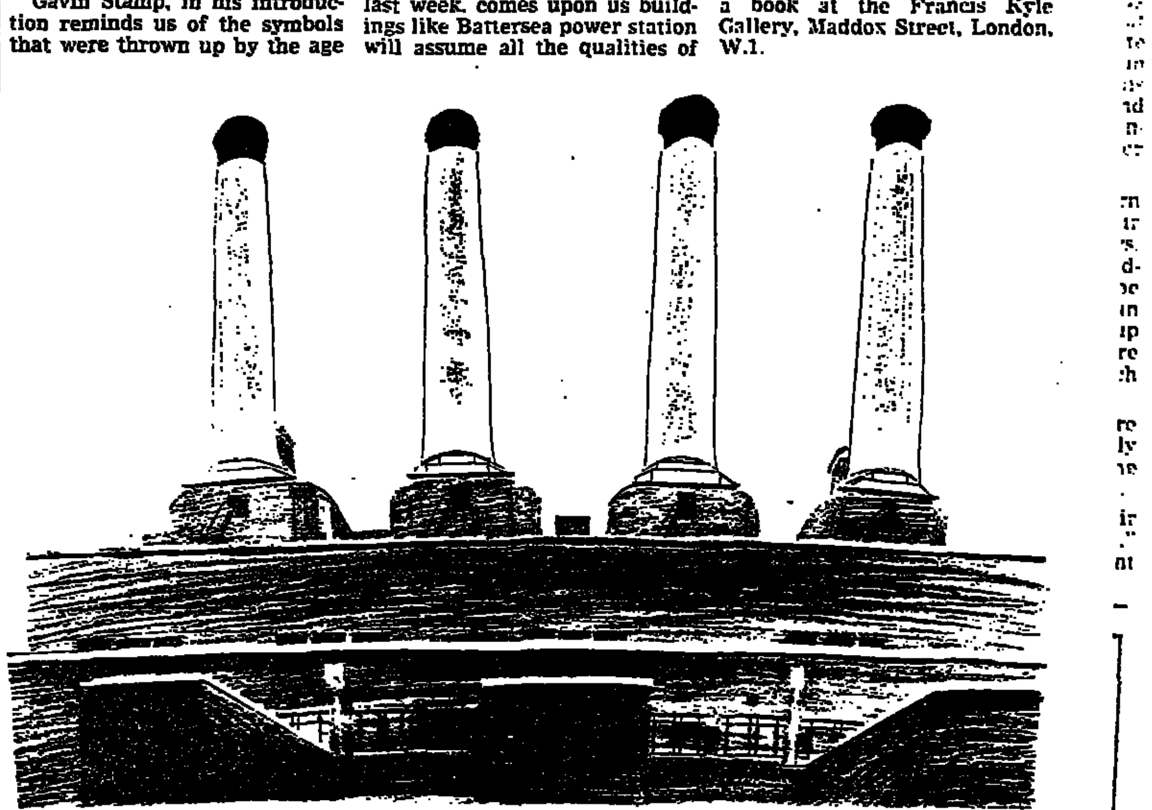
Gavin Stamp, in his introduction reminds us of the symbols that were thrown up by the age of steam and the romantic grandeur that still clings to the viaduct and the great railway terminals. It is his purpose in *Temples of Power* to suggest to us how the mysterious imagery of electricity achieved tangible forms. Betjeman describes electricity succinctly as "clean and invisible," but the actual business of producing the magic current has neither of those qualities. The buildings that this book illustrates are all in London and show clearly the nature of the architectural struggle that has preoccupied designers in the 20th century—how are the styles of the past to be adapted to the needs of the present?

Stamp puts up a strong case for the emotional power of form—for him Battersea is the apotheosis of brick built sublimity. The argument of the historian is well supported by the vision of Glynn Boyd Harte's drawings. He has a particular ability to isolate the buildings he is drawing in such a way that you are forced to look at them afresh. In the same way as Mr. Stamp is re-evaluating the architecture of the 20th century Mr. Boyd Harte is using his pencils to unveil the mysteries of architecture. I am sure that he will not take it amiss if I say that his drawings are easy to like. Their vision is clear and to the point and they may do more to help the appreciation of architecture than any number of opinionative words.

Why should we like power stations? Are they the "potent and expressive monuments to power" that this book would have us believe? As the micro world, so terrifyingly and accurately portrayed at this Royal Institute of British Architects conference held in London last week, comes upon us buildings like Battersea power station will assume all the qualities of the dinosaur. Prehistoric animals solved their own conservation problem, we shall have to decide what to do with the tired giants of industrialisation. Mr. Stamp, wrongly in my view, compares the temples of power with Christian churches which are preserved even when they are no longer used. Utility and generations of spiritual energy are quite different things. Power stations are sinister, impressive, awe inspiring and potent monuments to a particular mechanical process. There is no question that some of them should be preserved, if only to remind us of the day when technology also needed the support of art and design—and was not ashamed to admit it.

Technology today and in the years to come is likely to depend on the development of very small components. As the visual power of functional processes diminishes in size it seems likely that style and art will reassume their rightful places. The glories of the power station, so touchingly expounded and illustrated by this book are now seen as fit to be admired in much the same way as we admire elephants. Obsolescence has charm and it is good to enjoy it now and again. Bankside, Battersea, Lots Road, and Garden Walk join the litany of the lost—buildings that we will try to love as they fall into disuse. My instinct would be to let them become wonderful ruins quietly crumbling as the grass grows over the cities. It is hard to imagine the vigour of the four chimneys and the great halls of Fulham Power station (shown here), transformed into an arid exhibition centre—but it would look marvellous clad in ivy.

Temples of Power can be seen as a series of lithographs and as a book at the Francis Kyle Gallery, Maddox Street, London, W.1.



Fulham Power Station

Country Cousin

Little Nell

by ANTONY THORNCROFT

After a rush of blood to the head during the summer, which brought heavyweight names like Frankie Howerd round the kink to the lost end of the King's Road and precipitated some kind of financial imbroglio, Country Cousin has now reopened under new management and with much humbler horizons. Indeed they are virtually giving it away, with the £1.50 entrance fee also entitling you to a snack.

What is up for offer varies from one week end to the next (weekdays are dark as yet) and there is still some uncertainty as to who will be facing the louche crowd and the inevitable raucous birthday party, this coming Friday. But there can be few complaints about last week-end which delivered up Little Nell for the slaughter. In the event she was more than a match for the audience and her over-the-top personality, which quite obviously she has doubts about herself, was just right for this rather unbelievable venue.

An unlikely refugee from a visiting Australian swimming team this slip of an egomaniac made a reputation in the *Rocky Horror Show* and later in *Rock Follies* so she is well versed in sending up pop. With no recognisable singing talent she has put together an eye-goggling act through sheer bravado. She looks something, in a shiny black vamp's dress which comes off to reveal the tiniest body in the tiniest red swim suit: she moves rapidly, not so much to avoid the bread rolls as to keep the adrenalin flow high, as she performs "A new fangled tango" lying on the floor, or a breast stroke across a bar stool; and her material is so eclectic as to be considered inspired, switching from decadent Lou Reed songs like "Vicious (you hit me with a flower)" and "Berlin," to gay novelty numbers like "Who wants to be a millionaire" and a medley of James Bond themes. By general musical standards Little Nell is probably not very good, but she is thoroughly enjoyable and well worth being staggered by.

Nottingham Playhouse

Antonio

by GARRY O'CONNOR

Antonio is an adaptation and condensation by Peter Barnes of two plays, *Antonio and Mellida* and *Antonio's Revenge* by John Marston, written in 1599 or thereabouts. The first is comic, and in it Antonio, son of the Duke of Genoa, supposedly losing his father in a sea battle with Piero Sforza, Duke of Venice, adopts the disguise of an Amazon to woo Piero's daughter Mellida. His lusty wooing, with long, mock-like segments of rope dangling from his brows, is threatened by Piero who finds of their intention to run away, and offers a reward for Antonio's head. Antonio miraculously rejoins his father Andrugio, who is still alive and the pair confront the hysterical Piero in his court, and by some logic which escapes all ordinary plausibility, Piero makes peace with them and gives Antonio his daughter in marriage.

Improbability is heaped on the implausible in the second half in which Piero decides to have his revenge on Andrugio and Antonio for these tricks, which are only such by his acquiescence in them. First he has Antonio's loyal friend Felice killed and his body strung up above Mellida's bed so when Antonio fetches her for the wedding he finds the corpse. Next Andrugio is murdered. Then Piero woos Andrugio's wife who, hearing of the reconciliation of the two dukedoms, has come to Venice. But Andrugio's ghost slowly and finally engenders a revengeful spirit in his son and convinces his wife to join in the plot. The grand guignol finale consists of Piero's tongue being cut out and squeezed like a lemon over his face, while the body of his son and heir, whom Antonio has stabbed, is served up cooked and garnished.

Peter Barnes and Geoffrey Reeves have directed, and they leave no stone unturned in their search for the bizarre and grotesque, but their work does little to conceal the almost total lack of solid characterisation and convincing development that is their legacy from Marston. Standing on its own the grotesque element quickly palls, and the eye is surfeited with blood, over-dazzled by sexual innuendo.

The first half in particular bears the marks of drastic over-cutting, whole the second, with its laboured echoes from *Richard III*, could happily have done with more cutting.

There are too many songs which slow down the action and too much tedious clowning, though the best line comes from a fool Balurdo, played by Derek Godfrey who attempting to bow a bass, declares "My fiddle-stick wants rosin." Otherwise within the limited range of the grotesque the performances of Alan Rickman as Antonio, Christopher Ettridge as Piero and Di Trevis as Mellida are hardly tested though they orchestrate the horrors as best they can.

Fine Art Society

Glasgow 1900

by ROY STRONG

The Fine Art Society in Bond Street celebrates an aspect of provincial painting in *Glasgow 1900*. As a display it sets out to explore whether there are any positive links that might be traced between the painters of the Glasgow School and the young designers and architects centring on the figure of Charles Rennie Mackintosh. The juxtaposition of the amazingly inventive furniture and instances of the decorative art does not on the whole do much service to the painters. With a few exceptions they are a lacklustre lot. But it is pleasant to see Sir James Guthrie's *To Pastures New* in London from Aberdeen with its straw-hatted girl prodding a flock of geese and there is a fine head of a young woman by Sir John Lavery. But it is the design for interiors, for jewellery, the portrait plaques and furniture that excites.

Above all there is one astonishing piece of furniture of supreme chic, Mackintosh's own writing cabinet of 1904-05. Although lacking the sophistication of finish that was to come later in the best of French Art Deco furniture, it anticipates all that that was to represent in its qualities of line and decoration. For himself he could no doubt indulge in an originality unacceptable to clients. This surely is a key piece not only for the history of the Glasgow School and the history of furniture design in Britain but in the broadest international terms. Let us hope that the efforts to retain it in this country will be crowned with success.

RSC in 'The Greeks'

The Royal Shakespeare Company has begun rehearsals for *The Greeks*, a cycle of ten Greek plays telling the story of the House of Agamemnon and The Trojan War. The ten plays, to be given as a trilogy, performed over three evenings, will be mounted for a special three month season at the Aldwych Theatre, beginning in January.

The RSC says that *The Greeks* is John Barton's most important undertaking since *The Wars of the Roses* 15 years ago. Together with Kenneth Cavander (responsible for the original translations) Barton has drawn mainly from Euripides, but with additional material from Homer, Aeschylus and Sophocles.

The 24 strong company for *The Greeks* includes Mike Gwilym as Achilles and Orestes, Janet Suzman as Clytemnestra and Helen, and Billie Whitelaw as Andromache and Athene, all returning to the RSC especially for the season.

With them in leading roles will be Tony Church as Menelaus and Odysseus and John Shrapnel as Agamemnon and Apollo.

Performances of *The Greeks* trilogy will be given in sequence throughout the three month season and there will be at least five complete trilogy days when all three parts of the cycle will be given in one day.

Wigmore Hall

Orford Quartet

The Orford String Quartet is described as "Canada's foremost quartet"—not so modest a claim as might be thought: but on the strength of their current Beethoven cycle, they deserve a bolder billing. They won the European Broadcasting Union competition five years ago, and their Decca recording of the Debussy and Ravel quartets is one of the best in the catalogue, sprightly and impeccably stylish. Now, they offer Beethoven playing of a very high order, strong, searching and excitingly fresh.

On Saturday afternoon they began with two of the op. 18 quartets, no. 4 in C minor and no. 2 in G. Their special collective timbre, slightly reedy with the four voices always distinct, was instantly telling at the troubled start of the C minor. They were pointedly ironic in the Scherzo, and contrived an arresting, eerie sound for the Trio of the Menuetto. The opening Allegro of the G major displayed the suave fleetness of their leader, Andrew Dawes, to good purpose; and after their steady urgency in the C minor Quartet (without extravagant tempi) the rapt stillness they achieved in the Adagio cantabile of no. 2 was doubly impressive, with its great cadences *seizing* the heart — and flawlessly pitched, which is rare enough.

The Orford's quick intelligence and poise in the op. 18 quartets was to be expected. They met the challenge of the late A minor, op. 132, with quite astonishing success. In general they prefer unlingering tempi—a sort of bright inquisitiveness is a mark of their style—and they made a coolly balanced statement of the first movement, not a lament, though with a fraught dramatic conclusion. The restless churning of the Finale echoed their treatment of the C minor Quartet opening. The heart of the performance lay, however, in the expansive "Heiliger Dankgesang": magnificently sustained and moving, and daringly stripped of easy aural luxury—the chorale, at its first two appearances, was delivered strictly *senza vibrato*. Nowhere was there any conventional gloss. This cycle promises great rewards; it continues on October 21, 23 and 27, with one of the late quartets in each programme.

DAVID MURRAY

SOCCER BY TREVOR BAILEY

Palace bring sparkle to the top

ON THEIR showing so far, Crystal Palace look the most impressive newcomers to the First Division since Nottingham Forest and Manchester United.

Like Forest under Brian Clough and the exciting United eleven under Tommy Docherty, the Palace under Terry Venables deserve a warm welcome.

They have brought with them a fresh approach and ideas. When combined with obvious enthusiasm and determination they have unsettled opponents, some of whom are inclined to regard First Division football as a right.

This young London team now find themselves top of Division One for the first time. They are to be congratulated not only for this achievement, but also for their style.

In spite of the disappointment of being needlessly knocked out of the League Cup by Wolverhampton Wanderers, Palace came out at Selhurst Park on Saturday to demonstrate forcibly that this setback was a minor hiccup. They destroyed the dependable and normally sound Ipswich 4-1 with a splendid exhibition of high quality attacking football.

The first half was particularly memorable.

There are various reasons why Palace are doing so well. A high percentage of their players are products of their own nursery. They have grown up watching the club become increasingly successful, which has helped them to acquire a winning outlook.

Last season, in addition to finishing top of the Second Division, they also had the best defensive record. A sound defence is essential for any team seeking honours, as illustrated by both Liverpool and Nottingham Forest. Goals are vital, but there will be matches when they simply do not materialise, as a result of inspired goalkeeping, bad luck, injuries, or indifferent finishing. These are the occasions when the ability to prevent the opposition from scoring provides those points which makes the difference at the end of the season.

The present team has gained greater flexibility and strength through two sensible buys, Gerry Francis and Mike Flanagan. Francis, the former QPR and England midfield man, may be a little heavier and slower than he was once, but he has added more poise to a midfield which used to depend too much on hustle and bustle. His passing and his presence have helped enormously in Palace's deliberate build-ups.

Flanagan has already struck up an instinctive understanding with Swindlehurst, a more dangerous striker than is often realised. Their contrasting strengths complement each other and they are becoming a formidable two-pronged spearhead, with pace and thrust.

Impressive

Adding class and unpredictability to the Palace attack, in the role of what might be termed a freelance winger, is the slight Hilaire. He was impressive when he made his debut as a young teenager two seasons ago, sliding effortlessly past defenders, either on the move, or from a standing start. To this considerable natural ability, which is liable to upset the best regulated defence, has been added a distributing skill, opening the way for his colleagues.

This beautifully balance player had a hand in two of Saturday's goals. The first, a feint, followed by a cross from the left, was splendidly volleyed home. The fourth was a pass out of defence, which sent Flanagan on a fast run. The ball was then crossed to Cannon, who had raced all of 80 yards, to shoot home.

Even more impressive was the perfectly weighted pass which gave Flanagan a fine scoring opportunity. Hilaire's dribble down the right wing, in which he rode two tackles and left two defenders sprawling, would have delighted Sir Stanley Matthews. He slid the ball along the ground to an unmarked forward. It should have produced a picture goal and was, on its own, worth the price of admission. At the moment he is less impressive off the ball. But he is learning fast and promises to be a player of the highest class.

Probably the most important factor in Palace's success is their wholehearted approach, combined with their all-round skill. The team is working as a unit. Goals are coming from the defenders—two of the back four scored against Ipswich.

RUGBY UNION BY PETER ROBBINS

French expose England's problems

THERE WAS very little to celebrate in the England B team camp after their 9-25 defeat by the French B team in Brussels on Saturday.

France lost to Canada in mid-week but their much-changed side was fitter. England lasted well but eventually it was only desperation that produced good attacks.

These are heady days for the French after their superb victory in the second Test in New Zealand. I am certain that France's wider contact with the Eastern bloc has given their young players earlier experience of international match pressures.

Certainly, I would expect France to produce two, if not three sides capable of playing in the championship. Such is the calibre of the team that they are short of second row forwards.

Maleig and Malquie played adequately on the tour but there was special interest in Michel's game in Brussels. He showed enough skill to suggest further honours as did Mournet, the sprightly scrum half. Buchet on the flank supported cleverly as did Bagnaud the No. 8, but they had the advantage of having something to support.

France are bound to face the season with justified optimism but their first match is against Wales in Cardiff on January 19 and whereas motivating players on tour is one thing, a cold January match against the champions is another.

Tension

In theory all the England B team players were serious candidates for the New Zealand match in November. In fact, a maximum of four could expect to be chosen. The tension was centred on the half backs, Peck and Davies. Over the past decade the scrum half position has become a sort of no-man's-land but it is the very place that needs skill and courage.

Peck needed all his wits about him because the possession he received was so inconsistent in amount and speed. However, top players have to operate under extreme pressure and Peck stood up well to the French back row. He is very much a competitor and has the build to take the knocks.

Davies was very disappointing. A miskicked touch from defence destroys a forwards and particularly so against a good counter attacking side. Davies took one opening beautifully and was unlucky to get caught but it did reveal his tremendous attacking potential. The trouble is, like Richard Sharp (though the two are incomparable) he will be marked very heavily. He appears confident to the point of casualness and he needs discipline without loss of individuality.

One player who made a convincing case was Metcalfe, the full back. He's an orderly, yet a touch player and he has the experience of playing well for Cambridge against the All Blacks last year. Should Hignall falter, he would be the obvious replacement as would Swift on the right wing in place of Squires.

Swift scored an excellent try with some determined running and Carleton, on the other wing, showed his usually speedy bustle. Neither would be out of place in an England team provided they had enough possession.

In the centre, Woodward and Palmer tackled well but were weak in attack. It was interesting to see that the England three quarters adopted a semi-defensive alignment even when play was on or about the half-way line. It showed little confidence in their attack which I suppose was a fair assessment.

The point is that England will have to think positively about attack and I am sure there will be some changes in the established three quarters for the match against New Zealand.

Obligatory positional changes in the pack did not help matters and Butler had to wear the No. 8 shirt. He has developed well since joining Gosforth but his place is clearly in the second row. Cheeseman's tight game is well suited to No. 8 but not on the flank.

He could not get into the game early on and that is essential for a back row forward. Forfar covered splendidly, tackled well and supported intelligently but marred an otherwise distinguished afternoon by conceding penalties for offside.

It almost means a degree in jurisprudence under the complex laws these days but international players should know them.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

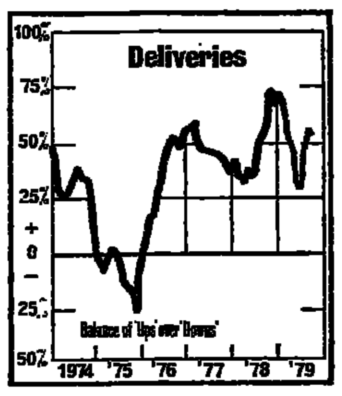
Decline in confidence

THE business community became markedly less optimistic both over the general business outlook and the prospects for the UK economy last month. The common reason was expectation of a recession over the next 12 months.

However, several businessmen remained hopeful about the longer term prospects and the chances of the new Government's economic policies proving successful.

Last month's survey included new interviews with companies in the electrical engineering, consumer durables, and stores and consumer service companies who were last covered in May.

As well as the expected recession, high interest and exchange rates, coupled with continued rises in inflation, were reasons for the loss of confidence. The engineering dispute was also said to have an impact.



Electrical engineering companies reported that deliveries were up in the last four months, but this was more than counter-balanced by poorer results in the other two sectors. The index covering deliveries, which had been rising, fell.

Both the electrical engineering and consumer durables groups continued to be confident of increasing exports over the next 12 months, so in spite of gloomy comments, this index improved slightly from the low August level.

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
More optimistic	32	42	45	41	13	—	8
Neutral	38	39	38	40	28	27	29
Less optimistic	30	19	17	19	59	73	63

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Higher	56	51	54	49	96	83	42
Same	33	29	30	34	—	17	55
Lower	10	19	15	16	4	—	—
Don't know	1	1	1	1	—	—	3

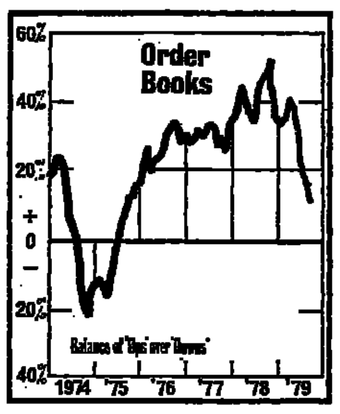
ORDERS AND OUTPUT

Demand drops further

THERE WERE further indications of a decline in demand both at home and abroad, for the second consecutive month, following the improvement of the summer months.

All three sectors were less inclined to report improved new orders over the past four months than they had been in May, and as a result this index continued to fall.

In the electrical engineering sector one company said that the engineering dispute coloured the whole outlook for orders and another that there was loss of business confidence and electrical distributors were destocking.



There was also a further decline in confidence over order books, with the gloom of the electrical engineering sector more than counter-balancing a more optimistic outlook in the other two sectors.

At the same time all three sectors expected smaller increases in their output over the next 12 months than they had in May. This reduced the median expected increase from 5.8 per cent to 4.9 per cent.

NEW ORDERS

The trend of new orders in the last 4 months was:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Up	50	53	60	56	48	13	63
Same	14	17	14	16	11	—	29
Down	7	4	6	11	17	47	8
No answer	29	26	20	17	24	40	—

PRODUCTION/SALES TURNOVER

Those expecting production-sales turnover in the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Rise over 20%	7	4	4	7	24	—	8
Rise 15-19%	5	3	4	3	5	—	17
Rise 10-14%	8	15	19	18	—	—	—
Rise 5-9%	22	24	24	23	34	13	21
About the same	43	38	35	39	37	87	46
No comment	15	16	14	10	—	—	8

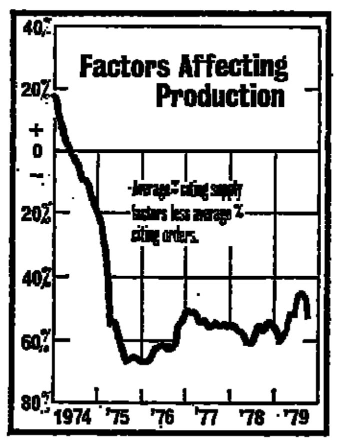
CAPACITY AND STOCKS

Shortage of orders

ALL THREE sectors were more inclined to report that their production was affected by a shortage of export orders and the durables and store groups were also more inclined to report a shortage of home orders.

This meant that the index of the extent to which output is affected by demand rather than supply shortages continued the upward movement which began in August.

The index for capacity working also continued the fall which began last month, with a majority of companies in both the durables and stores sectors reporting that they were operating at below planned output levels.



There were also strong signs of attempts to reduce stocks. All three sectors, especially the two manufacturing groups, were more inclined to say that their level of stocks of all types was too high in relation to current sales trends. The index covering this has therefore started to move upwards again, after the plateau of the previous two months.

The durables and stores sectors were more inclined to say they expected bought-in supplies and raw materials to decline over the next four months.

CAPACITY WORKING

	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Above target capacity	9	13	13	13	—	—	—
Planned output	50	54	60	56	75	13	34
Below target capacity	37	31	27	30	13	87	66
No answer	4	2	—	1	12	—	—

STOCKS

Raw materials and components over the next 12 months will:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Increase	28	33	33	41	12	33	54
Stay about the same	54	55	54	51	53	27	21
Decrease	12	6	7	5	35	27	25
No comments	6	6	6	3	—	13	—
Manufactured goods over the next 12 months will:							
Increase	11	12	13	27	—	27	46
Stay about the same	55	56	55	45	33	67	37
Decrease	8	4	6	7	29	—	17
No comments	26	28	26	21	38	6	—

FACTORS CURRENTLY AFFECTING PRODUCTION

	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Home orders							
Export orders	72	68	67	72	63	73	100
Executive staff	61	52	50	43	90	80	50
Skilled factory staff	14	13	13	10	8	—	9
Manual labour	35	38	36	34	39	13	21
Components	7	6	9	9	2	—	8
Raw materials	7	9	9	6	2	60	—
Production capacity (plant)	11	9	8	7	—	40	12
Finance	11	11	10	13	—	—	12
Others	1	—	—	—	6	—	—
Labour disputes	4	4	5	9	11	40	—
No answer/no factor	41	35	39	26	72	73	33
	2	5	5	6	—	—	—

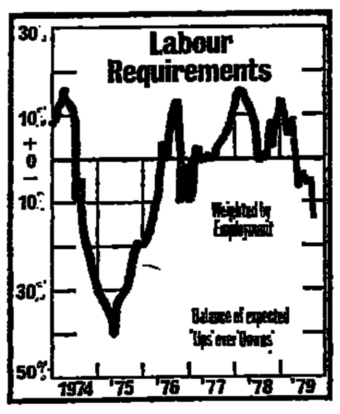
INVESTMENT AND LABOUR

Worse job prospects

THERE was a further sharp drop in expectations over labour requirements. This meant that about 14 per cent more companies expect their labour forces to fall over the next 12 months than expect them to rise. This compares with the figure of about 5 per cent which was typical over the previous three months.

More companies, particularly in the consumer sectors, said that lack of present or forecast demand was discouraging them from increasing the number of employees. There were also significantly fewer mentions of production factors in determining labour levels.

This meant that for the first time since June last year a shortage of demand was almost as common a cause of unemployment as the structure of the labour market.



The electrical engineering companies were more inclined to expect their capital investment to increase than they had been in May, though there was a reverse movement among durables companies. On balance the weighted index showed a slight further fall, although the survey warned that this drop should be interpreted cautiously.

The survey's inquiries into the impact of exchange controls have now run for four months and the findings continue to suggest that the controls had more effect on financing than the location of investments.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Increase	16	18	16	15	1	—	28
Stay about the same	52	57	60	65	73	40	48
Decrease	30	23	22	19	26	60	24
No comment	2	2	2	1	—	—	—

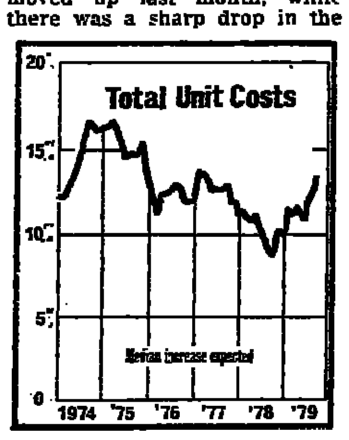
CAPITAL INVESTMENT (Weighted by expenditure)

Those expecting capital expenditure over the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Increase in volume	42	42	44	49	43	10	74
Increase in value but not in volume	23	23	22	18	43	3	18
Stay about the same	9	9	8	14	7	21	8
Decrease	22	21	22	17	7	66	—
No comment	4	5	4	2	—	—	—

COST AND PROFIT MARGINS

Wages up further

EXPECTATIONS FOR both wages and total unit costs moved up last month, while there was a sharp drop in the expected level of profit margins.



The majority of companies interviewed expected wages to increase by more than 15 per cent over the coming 12 months, and the median expected increase rose from 14.1 per cent to 14.9 per cent.

There was a similar pattern for unit costs in all three sectors, with the median moving up from 12.8 to 13.4 per cent.

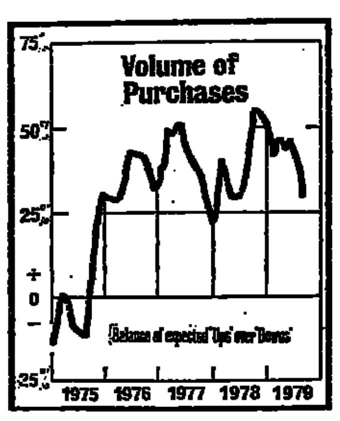
All three sectors were more inclined to expect profit margins to contract than they had been last May, and the fall in this index, which started in August, has accelerated.

The commonest reasons for the decline were slack demand, competition, the high sterling exchange rate and the difficulty of increasing prices to match costs.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interview with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

Wages rise by:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
5-9%	—	2	4	8	—	—	—
10-14%	40	48	52	64	34	40	17
15-19%	32	29	28	17	31	20	54
20-24%	7	4	2	3	23	—	4
No answer	21	17	14	8	12	40	25
Unit cost rise by:							
0-4%	—	2	3	3	—	—	—
5-9%	7	16	22	28	—	13	—
10-14%	45	38	35	41	68	67	54
15-19%	23	21	17	7	8	20	17
20-24%	3	2	1	1	—	—	8
Decrease	2	—	—	3	24	—	—
No answer	20	21	22	17	—	—	21

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1979		
Improve	30	37	36	38	2	13	4
Remain the same	38	41	47	38	57	33	38
Contract	24	16	11	20	35	40	41
No comment	8	6	6	4	6	14	17

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS BY FRANCIS GHILÈS

More ingenuity than excitement

MOST of the interest in bond markets last week focused on developments in the new issue sector of the international dollar sector. In trading on the secondary market, the weakness of the U.S. dollar, the record prime rate of 13½ per cent and the surge in the price of gold offered little consolation.

Trading, other than professional, remained at a low ebb though dealers noted that buying for sinking funds continued, not only from U.S. corporations but also from European institutions. One observer even noted the re-entry of one major Swiss bank into the longer term dollar market.

Credit Suisse First Boston announced an improved model of its "drop lock bond"—a floating rate note which converts automatically into a fixed rate Eurodollar bond when a certain pattern of interest rates becomes established. The Kingdom of Sweden is to raise $150m for 12 years through an FRN paying ¼ per cent over the mean of the three-month bid and offered interbank rate. This bond will convert into a 9 per cent bond if the weekly average rate for ten-year U.S. Treasury bills drops to 8½ per cent or lower on two successive fixing dates for the floater.

CSFB pointed out that this should protect investors from a dip in short rates which in the previous formula might have landed bond holders with a long term coupon inferior to other opportunities in the market.

Controversial

However, a number of bond houses agreed with Hill Samuel's weekly comment to investors that the use of the ten-year weekly U.S. Treasury rate is "rather controversial as it is quite possible that the yield structure for intermediate Euro-dollar triple "A" sovereign paper could be quite different from the ten-year Treasury yield curve."

Interest rate development in the Eurobond and U.S. domestic markets could also differ if the U.S. Administration is forced to introduce capital controls as a dollar defence mechanism.

Hill Samuel's conclusion is shared by many in the bond market: "We would have preferred to see the standard yield measurement in this case being the creation of a medium/long-term Eurodollar bond index for triple "A" borowers."

A second innovation, introduced last week by Credit Commercial de France, is of a more familiar nature. The bank cut the selling and underwriting fees on a seven-year $100m floating rate note for Caisse Nationale des Telecommunications to ⅜ per cent for underwriting and ⅜ per cent for selling. The lead manager justified this further erosion of investment banking fees by claiming that it was illogical that fees for FRNs be the same for all maturities. Its contention is that fees on seven-year paper should be less than those on 12-year paper. Total commissions on this issue including the management fees, amount to 1⅛ per cent, about 1 per cent less than the norm.

Cool reception

A floating rate note issue for the Bank of Tokyo is expected shortly. The two FRN issues which started trading on Friday met with a cool reception. Credit Suisse First Boston opened the Philippines issue at 96⅞-97 and later pushed it up to 97-97⅛, a price which strongly suggested that the issue had not been placed in firm hands, while Credit Lyonnais opened the issue for Fiat Finance at 97⅛-98.

The star attraction so far as investors were concerned remained recent Japanese convertibles: Helped by the rise of the Tokyo stock exchange and a very attractive option feature which gives investors the right to redeem the bonds after five years at a premium, the $60m Mitsubishi convertible rose at one stage during the week to $115⅞-116⅞. The lead managers of the convertibles for Meidensha and Daiei were both able to cut the coupons before pricing the issues.

Three new dollar convertibles were announced last week, including the first ever for Hill Samuel. The UK merchant bank has in the past raised two dollar bond issues, one $20m issue with warrants attached and the other, a $20m straight bond.

The second new convertible was a $30m issue for the U.S. conglomerate, Alco Standard, and the third a $50m issue for Toshiba.

The weakness of the dollar last week did not induce any large scale flows into the harder currency sectors of the bond market where trading remained thin. No new guilder bonds were announced but in the Deutsche-mark and Swiss franc sectors, the flow of new paper continued and was well absorbed.

Ortoli bond

Three new D-Mark denominated issues were floated, totalling DM 170m.

This figure included a DM 100m public issue for Oesterreichische Kontrollbank and two private placements through Westdeutsche Landesbank. A further DM 150m worth of new issues can be expected this week to which a DM 100-150m bond for the EEC may be added if the market proves to be receptive. This bond is part of the Ortoli financing facility, the balance of which is expected to be funded in the form of a Yankee bond issue later this month.

The flow of new Swiss franc issues continues steadily but the influx of funds into Switzerland took the road of the Zurich Stock Exchange last week rather than that of the Swiss foreign bond market. Some bank and multinational company shares posted sharp rises on the week.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Fiat Finance	100	1991	10	8⅞	100	Crédit Lyonnais	
‡**†Eurofima	40	1989	7	5½°	100	Dean Witter Reynolds	5.32°
††Philippines	100	1986	7	6½°	100	Crédit Suisse Fst. Boston	6.61°
‡§Meidensha Electric	20	1984-94	—	7	100	Daiwa (Europe)	7.12
‡§Daiei Inc.	50	1984-94	—	6½	100	Merrill Lynch	6.61
§Charter Oil	35	1994	—	8½	100	E. F. Hutton Int. Inc.	8.25
‡Sweden	150	1991	¶	—	100	Crédit Suisse First Boston	—
*Hill Samuel	30	1991	12	5½°	100	Morgan Stanley	5.32°
§Toshiba	50	1994	—	7½	100	Smith Barney Harris Upham	7.64
§Alco Standard	30	1994	—	9-9½	100	Kidder Peabody	*
†CNT (g'teed France)	100	1986	7	5½°	100	CCF	5.32°
D-MARKS							
‡Petrobras	125	1989	8	8	100	WestLB	8.0
Oesterreich. Kontrbk. (g'teed Austria)	100	1989	10	7½	100	Dresdner Bank	7.25
‡**Nat. Nederlanden	50	1986	7	7	100	WestLB	7.0
‡**Ind. Fund Finland	10	1987	6	7½	100	WestLB	7.375
SWISS FRANCS							
Malaysia	80	1989	n.a.	5	99½	Swiss Bank Corp.	5.10
Norges Kommunalbank (g'teed Norway)	100	1991	n.a.	4½	100	B. Gutzwiller, Kurz, Bungener	4.75
Oesterreich. Kontrbk. (g'teed Austria)	100	1991	n.a.	4½	100	Wirtschafts-und Privatbk.	4.375
‡**Norway	100	1984	n.a.	4⅛	100	Crédit Suisse	4.125
Genossenschaftliche Zenbk.	100	1989	n.a.	4¼	100	UBS	4.25
‡**§Kitazawa Valve	20	1984	—	4½	100	Crédit Suisse	4.81
‡**§Hitachi Chemical	40	1984	—	4½	100	UBS	4.68
‡**§Yamamura Glass	25	1985	—	4½	100	Swiss Bank Corp.	4.68
FRENCH FRANCS							
‡Finland	80	1984	5	11	100	BNP	11.0
‡Finland	70	1989	8½	11½	99½	BNP	11.54
GUILDERS							
‡**Lease Plan Nederland	15	1986	5½	9	100	Bank Mees en Hope	9.0
BELGIAN FRANCS							
‡EIB	2.5bn	1987	8	9½	99½	Soc. Gen. de Banque	9.80
KUWAITI DINARS							
‡Asea AB	4	1989	n.a.	8	99½	KIIC	8.04

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ∥ Optional fixed rate.
Note: Yields are calculated on AIBD basis.

COUNTRY BORROWING BY JOHN EVANS

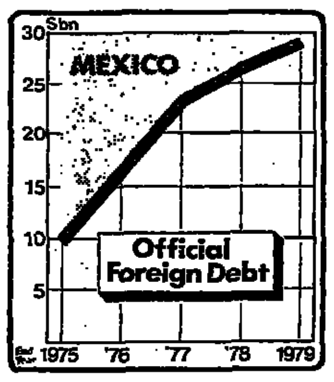
Tapping a $300bn insurance pool

MEXICO, rapidly gaining a reputation as the most aggressive country borrower on the international capital markets, is now pressing for relaxations on regulations limiting U.S. insurance company lending overseas.

Mexico's aim is to gain much greater access to the $300bn of U.S. insurance industry assets as a source of long-term funds for its development, according to Sr Gustavo Romero Kolbeck, Governor of the Central Bank of Mexico.

Sr Kolbeck disclosed in an interview that Mexico has just been holding negotiations in the U.S. to urge such relaxations, which will include U.S. pension fund assets.

Lending and investment activities of U.S. insurance companies are governed on a state-by-state basis, rather than by national legislation. But, as a rough guide, life companies are barred from lending more than 1 per cent of their assets overseas. The exception is Canada where, due to historic relations, the ratio is 10 per cent.



Sr Kolbeck states: "If we can get this changed, each further 1 per cent relaxation releases nearly another $3bn of assets which could become available to us."

U.S. insurance companies are recognised as among the few sources of very long-term institutional fixed-interest funds in dollars. It has long been the ambition of some corporate and foreign borrowers to tap this valuable market, and shift away from the concentration on medium-term borrowing on a floating interest-rate basis.

For instance, Sr Kolbeck says that maturities of up to 30 years are available from the U.S. insurance companies. Mexico has already borrowed about $700m from the U.S. insurance industry, and wants to step this up substantially, he adds.

Such long-term funds will be valuable on two counts. Firstly, they will help to improve Mexico's debt repayment profile, particularly as a heavy burden of payments are due in the early 1980s.

Secondly, some U.S. banks could be at or close to their legal lending limits for Mexico, which stipulate that they are barred from placing the equivalent of 10 per cent of their capital and reserves with any one borrower.

Sr Kolbeck says that one advantage of the $2.5bn bankers acceptance facility raised in New York by Petroleos Mexicanos is that it will not count as far as these lending limits are concerned.

In the U.S. itself, senior insurance industry officials are reluctant to confirm whether they will go along with the American plans, warning that legislation will be needed on a state-by-state basis to increase investment ratios.

But the feeling in some quarters in the U.S. is that such relaxations could indeed be necessary as part of a trade-off for U.S. access to Mexican oil and gas production.

Official statistics just released show that Mexico's total foreign debt will rise to $29bn by the year-end, with borrowings this year totalling $8bn.

Mexico borrows some $10bn annually, on which $7bn is used to pay debts, increasing the total by a net $3bn annually.

Sr. Kolbeck forecasts that Mexico will borrow a further $1.5bn before the end of the year, and still comply with IMF debt ceiling guidelines.

It is understood that a major portion of this will be devoted to a Eurocurrency "jumbo" credit of up to $1bn to be raised shortly by the United Mexican States.

U.S. BONDS BY DAVID LASCELLES

Prime rates still rising

A CURIOUS fever gripped New York last week. For those who were making a fortune in the metals markets, it was euphoric. But for the rest, it was more sinister.

Everything seemed to be happening at once. Inflation and interest rates soared, the dollar plummeted and commodity prices continued their giddy upward spiral (not just metals: even potato futures raced ahead). In Washington, opening rounds in the Carter-Kennedy democratic nomination battle were fired. And to crown it all, mighty IBM waded into the markets for the first time with a $1bn offering, the largest of its kind ever seen.

Hardened U.S. investors might just have been able to cope with all this, were it not that with interest rates so far above their previous records, the credit markets are now deep into uncharted territory. People feel lost, and a sense of foreboding seems to be creeping through the market, dragging prices down with it.

Only a week after the banks raised their prime rates to 13¼ per cent, they jacked it up again on Friday to 13½ per cent, putting it a full 1½ per cent above its previous record high. The Fed also nudged the key Fed funds rate up a notch to 11½ per cent.

However, with the dollar's poor showing in the foreign exchange markets in the second half of the week, and news that the consumer price index rose 1.1 per cent in August, the likelihood of further rises in rates remains strong.

So much for technical factors. The biggest blow to the market was the IBM announcement, not so much for its sheer size as for what it says of that company's view of interest rates. Despite its heavy capital investment programme, IBM still has a lot of cash at its disposal (nearly $5bn including a recent $1.5bn bank credit). So why is it coming to the markets now, when interest rates are high. The conclusion most people have reached is that IBM expects rates to go higher still, and, as one dealer put it, "If IBM's computers can't figure that out, who can?"

The only glimmer of light was the Fed's weekly report on money supply and loan demand, which showed a $1bn drop in M1 and a $100m drop in M2. Loans at major New York banks were also down. This was the first encouraging report for a month. But the market would clearly like to see more such reports before taking comfort.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	94¾	95¼	−0⅛	−0½	10.84
Alex Howden XW 9½ 91	30	†80	82	+2	+2	12.68
Australian Res. 9⅝ 84	30	95½	96	0	+0⅛	10.78
Avco O/S Cap. 10¼ 87	40	89½	90	0	−1¼	12.37
Beneficial Fin. 9¾ 87	100	95¼	95¾	−0⅛	−0⅜	10.61
CECA 10¾ 91	150	92¾	93¼	−0⅜	−0⅜	11.87
CECA 9¾ 99	125	†89	89½	0	−0¼	11.41
Canadian Pacific 9¾ 89	50	95⅝	96⅛	0	0	10.43
Carter Hawley 9⅞ 86	50	94½	94⅞	+0⅛	+0¼	10.89
Comalco Inv. E. 10¼ 91	40	96½	97	0	−0½	10.74
Continental Grp. 9⅝ 86	100	96	96½	0	+0¼	10.41
Dome Petroleum 10 94	50	93½	94	0	+0⅛	10.85
Dominion Bridge 10¾ 84	30	95⅝	96⅛	0	+0⅛	11.18
Dow Chem. O/S 9⅝ 94	200	94¾	95¼	−0⅛	−0¼	10.29
EIB 9⅝ 86	150	96¾	97¼	−0⅛	−0⅛	10.54
99	100	96¾	97¼	0	−0¼	10.51
EIB 9⅞ 87	150	97¾	98¼	−0⅛	−0⅛	10.52
EIB 10 99	150	97½	98	−0⅛	−0⅛	10.53
Export Dv. Cpn. 9⅝ 84	100	95½	96	−0⅛	−0½	10.47
Export Dv. Cpn. 9⅞ 84	150	97⅜	97⅞	−0⅛	0	9.87
Finland 9½ 86	100	93¾	94¼	−0¼	−0½	10.84
Finland 9⅝ 89	100	95	95½	−0⅛	−0⅛	10.68
GTE Finance 9½ 84	50	95⅝	96⅛	−0⅛	0	10.68
GTE Finance 9¾ 89	55	93	93½	0	+0⅛	10.89
General Motors 9⅝ 85	100	94⅞	95⅜	−0⅛	−0⅛	10.33
Gould Int. Fin. 9⅞ 85	50	95⅞	96⅜	−0⅛	0	10.70
Hoechst Fin. XW 6¾ 89	125	†76¾	77¼	0	−0⅜	10.64
Hudson Bay Co. 10 94	50	95¼	95¾	−0⅛	−0⅜	10.61
ITT Antilles 9½ 89	75	92¾	93¼	−0¼	+0¼	10.68
Kennecott Int. 9½ 86	100	90⅜	90⅞	−0⅜	0	11.57
Manitoba 9⅞ 89	75	93⅛	93⅝	−0⅛	−0¼	10.60
Michelin 10 94	125	94⅞	95⅜	+0⅛	+0⅛	10.66
Nat. Des Telecm. 9½ 86	100	96⅜	96⅞	−0⅛	−0¼	10.42
New Brunswick 9¾ 94	75	92⅞	93⅜	−0⅛	−0¼	10.69
Newfoundland 10 94	50	96	96½	0	0	10.50
Norges Komm. 9⅞ 99	100	97½	98	−0⅛	+0⅛	10.40
Norway 9⅝ 84	150	98¼	98¾	−0⅛	−0½	10.48
Norway 9½ 84	150	96⅛	96⅝	−0⅛	+0⅛	10.47
Nova Scotia Pwr. 9⅞ 89	50	94¼	94¾	−0⅛	+0⅛	10.67
Occidental Fin. 10¼ 84	50	96⅛	96⅝	0	0	11.22
Orient Leasing 9½ 86	25	92⅝	93⅛	0	0	11.03
Pennwalt O/S F 9⅝ 84	25	96⅜	96⅞	−0⅛	0	10.67
Pepsico Cap. 9¼ 84	100	96	96½	0	−0¼	10.32
Portland 10 84	50	94½	95	−0⅛	−0⅜	11.54
Quebec Hydro 10 99	75	92	92½	−0⅛	0	10.96
Redland Fin. XW 9½ 91	25	86¾	87¼	0	+0⅜	11.67
Sears Roebuck 9 82	150	95¾	96¼	−0⅛	0	10.94
Statoil 9⅝ 89	100	94½	95	−0⅛	−0¼	10.50
Stockholm 9⅝ 94	60	96⅜	96⅞	−0⅛	−0⅜	10.46
Sweden 9⅝ 89	100	95⅜	95⅞	−0¼	−0⅛	10.47
Sweden 9⅛ 86	200	96¼	96¾	−0⅜	−0¼	10.61
Sweden 9⅝ 84	100	97½	98	−0⅛	+0⅜	10.35
Unilever NV 9¼ 87	100	94⅜	94⅞	−0⅜	−0⅜	10.27
Warner-Lambert 9 84	100	94⅝	95⅛	−0⅛	−0¼	10.40

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 7½ 89	150	95¼	95¾	+0⅛	0	8.18
Asian Dev. Bk. 7¼ 89	100	98¾	99¼	+0⅛	+0⅛	7.39
Banco Desarrollo 7¾ 86	100	†93⅞	94⅜	−0⅛	−0⅜	8.46
Barclays O'seas 6⅝ 89	100	96¼	96¾	+0½	−1⅛	7.26
Brazil 7¼ 87	150	96½	97	0	−0½	7.84
Brazil 8 87	150	100	100½	0	−0⅜	7.95
CECA 7 91	150	98¼	98¾	+0⅛	−0⅛	7.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92¼	93¼	0	−0⅞	7.80
Australia 6½ 86	20	89⅝	90⅝	+0¼	−0¼	8.20
EIB 7⅜ 89	12	98⅜	98⅞	0	−0⅛	7.97
Finland 5.6 83	10	91⅝	92⅝	0	−0⅜	7.97
Finland 6.8 88	10	90¼	91¼	−0⅛	−0¼	8.44

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	20	96¾	97¾	0	−0¼	9.76
Avco Fin. 10¼ 86 C$	25	91¼	91¾	−0⅛	+0¼	12.16
Bell Canada 10¼ 86 C$	80	97⅝	98⅛	−0⅛	−0⅛	11.20
Cr. Foncier 10⅜ 84 C$	30	93⅜	93⅞	−0⅛	−0⅛	12.15
Ex. Dev. Cpn. 10 84 C$	50	95⅞	96⅜	0	−0⅛	11.06
Fst. Can. Inv. 10 84 C$	50	93	93½	−0⅛	−0⅜	11.94
Hudson Bay 10½ 89 C$	60	94⅛	94⅝	−0⅛	−0⅜	11.47
Quebec 10¼ 86 C$	50	93⅜	93⅞	−0⅛	−0⅛	11.69
R. Bk. Canada 10 86 C$	40	94¾	95¼	−0⅛	−0⅛	11.08
R. Bk. Canada 10 94 C$	40	91⅜	91⅞	−0⅛	−0⅛	11.17
Copenhagen 8⅝ 91 EUA	25	†97	98	−0⅛	+0¼	8.59
Copenhagen 8¾ 91 EUA	20	†103½	104½	+5⅛	+5⅛	8.21
SDR France 8½ 94 EUA	24	†101	102	+1	+2⅛	8.31
SOFTE 8¼ 89 EUA	40	†93½	95	−0⅛	−0⅛	9.17
Algemene Bk. 8⅝ 84 Fl	75	98¼	98¾	+0⅜	+0⅜	8.63
Amev 8½ 86 Fl	75	98⅜	98⅞	+0⅜	+0½	8.77
CFE Mexico 7¾ 83 Fl	75	96⅝	97⅛	−0⅛	0	8.69
EIB 7¾ 85 Fl	75	†92	92¾	0	−0⅛	8.94
Ned. Middbk. 8¼ 84 Fl	75	98⅞	98⅜	+0⅛	+0⅜	8.68
Norway 8⅜ 84 Fl	100	98¼	98⅝	+0⅜	+0⅜	8.68
Air France 11 84 FFr	120	99⅛	99⅞	+0⅛	+0⅜	11.13
Euratom 9¾ 87 FFr	150	90⅜	91⅜	−0⅛	+0½	11.50
Norway 9⅛ 84 FFr	200	92½	93½	−0¼	0	11.32
PSA Peugeot 9⅝ 87 FFr	175	89⅛	90⅛	0	−0⅛	11.87
Renault 9¾ 85 FFr	100	92¼	93¼	0	+0¼	11.55
Saint-Gobain 9¾ 86 FFr	130	89½	90½	−0½	−0¼	11.99
Solvay et Cie 9¾ 87 FFr	125	89⅜	90⅜	−0⅛	−0⅛	11.85
Total Oil 9⅛ 87 FFr	150	87⅞	88⅞	0	−0⅛	11.94
Citicorp 10 93 £	20	84⅞	85⅝	+0½	+1	12.27
EIB 9⅞ 88 £	25	89½	90⅜	+0¼	+1⅛	11.68
EIB 11½ 91 £	25	93⅞	94⅞	+0¼	+0⅜	12.48
Finance for Ind. 13 91 £	15	100⅜	101⅛	0	+0¼	12.82
Fin. for Ind. 12½ 89 £	30	97⅜	98⅛	+0⅛	+0⅞	12.85
Gen. Elec. Co. 12½ 89 £	50	98	98½	+0¼	+0½	12.79
Indonesia 8⅜ 91 KD	7	*†97½	98	0	0	9.06
Mitsubishi 7½ 84 KD	10	*†96	96½	0	−0½	8.47
Norges Kom. 7½ 89 KD	12	*†95¼	95¾	−0⅛	−0⅜	8.18
Occidental 8⅜ 91 KD	7	*†94½	95	0	−0¼	8.98
Euratom 8 87 LuxFr	500	95⅞	96⅞	0	−0¼	8.66
Norges Kom. 8 86 LuxFr	500	95	96	+0⅛	0	8.86
Oslo, City of 8 89 LuxFr	500	96	97	−0⅛	−0⅜	8.54
Solvay Fin. 8 85 LuxFr	500	†95½	96½	0	+0⅛	8.87

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BNDE 6 89	0¼	†96⅝	97⅛	21/12	13.38	13.81
Banco di Roma Int. 6 87	0¼	98¾	99¼	26/10	11.19	11.30
Bco. Nac. Argent. 7 86	0¼	97⅞	98⅜	22/3	13.19	13.42
Banco Prov. BA 7¾ 86	0¼	97⅞	98⅛	12/6	11	11.21
Banco Urquijo 6 86	0¼	98⅛	98⅝	21/3	11⅛	11.56
Bque. Indo Suez 5¾ 89	0¼	98⅜	98⅞	11/1	11	11.15
Banque Sudameris 6 87	0¼	96¾	97¼	11/1	11¼	11.47
BNP 5½ 91	0¼	97⅞	98⅜	22/2	11.94	12.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Sept. 28	93.36	9.41	86.00	10.09
Sept. 21	93.52	9.37	86.24	10.06
High '79	95.75	(1/2)	89.99	(30/1)
Low '79	93.36	(28/9)	86.00	(28/9)

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	426.1	1,513.1
Previous week	496.0	1,284.2
Other bonds		
Last week	481.8	475.5
Previous week	341.0	295.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Union Bank of Switzerland; S. G. Warburg and Co.; Wood Gundy.

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No case for suicide

THE LABOUR Party Conference which opens in Brighton today can be seen on three levels: organisational, doctrinal and personal.

There will be an attempt by the Party's left wing to change the consitution in such a way as to give more power to the local constituencies and to the National Executive Committee and less to Labour MPs. This will be opposed by the right and especially by Mr. Callaghan himself not so much on the grounds that they are against any kind of change, but because they believe that the organisational changes sought by the left are only a first step in a left wing campaign to dominate the party. If the left wins on the constitution, the argument goes, the next step will be to impose extreme left wing policies.

Succession

There is a third group of prominent Labour politicians which has so far played little or no part in the organisational debate. It includes Mr. John Silkin and Mr. Peter Shore, both of whom must be regarded as possible successors to Mr. Callaghan. Indeed the struggle for the succession is clearly a major element in the present argument. Candidates like Mr. Silkin and Mr. Shore presumably believe that they have most to gain by standing aside from the debate and making the best of whatever happens.

There is a great deal to be said for that point of view. There is even more to be said for the view that the importance of the organisational questions has been vastly exaggerated, not least by Mr. Callaghan. In the short-term, it is true, adoption of the proposed reforms would be widely interpreted as a victory for the Labour Left. Yet it is far from certain that that would be the case in the longer run.

Reselection

On the question of obliging Labour MPs to submit themselves to reselection by the local party, for example, conventional wisdom has it that this would mean a steady move to Left-wing extremism. That is because the local party organisations tend to be small and increasingly Left-wing-controlled. Yet it would be entirely open to the Right and centre of the party to counter-attack by stepping up their own constituency activities. The fact that some of the constituency organisations are dominated by the Left is itself a reflection of the way that the Right has failed to campaign at the local level. Automatic reselection of MPs would be one means of compelling the Right to become more active.

In the end, too, the Labour Party will always have to face two issues. The first is that it needs a leader who can unite the Party. The second is that it is unlikely to have much chance of winning another general election if it goes off too far in a Marxist direction. Those issues will remain to be faced whatever happens in Brighton this week.

The Labour Party, of course, is perfectly entitled to tear itself to pieces, and there are undoubtedly elements on both the left and the right who are now ready for a fight to the finish. Yet it would be unduly masochistic for such a struggle to take place. Warts and all, the Party still commands widespread support in the country. It has been almost consistently ahead in the opinion polls since the general election last May. There is also an intellectual need for an alternative to Thatcherism. Even with the best will in the world, one can hardly pretend that that was offered by Mr. David Steel and the Liberals in Margate.

Inquest

What the Labour Party requires at present is a dose of its own supposed virtues: tolerance, compassion and understanding. It is entirely right that there should be an inquest into the past few years in office: after all, the performance left a lot to be desired. It is also appropriate that there should be an inquiry into the Party's organisation and, not least, into its relationship with the trade unions. But, to put it mildly, the case for committing suicide by way of a fracticidal battle is not self-evident. It ought not to be beyond the wit of man—or of the aspirants to the leadership to keep the bulk of the Labour Party together in a successful cause.

IMF in search of a role

HUNDREDS OF senior financial officials, bankers and countless hangers-on, will be spending this week in Belgrade at the annual meeting of the International Monetary Fund and World Bank. The world will be little different next week when the jamboree is over. As the meeting opens today, the general consensus is that there is not much that the accumulated brainpower of the Western nations can do to alleviate the prospect of slow growth, rapid inflation and high continuing unemployment in the immediate future. No magic solutions are on the table, nor does anyone think they can be found. In the last year, the West has become much less confident in its ability to manage the international economy through high-level consultation.

Management

Consultations since the last IMF meeting have been among more restricted groups of nations, such as the EEC or the seven-nation club that held its last summit in Tokyo at the end of June. The Tokyo deliberations were dominated by the need to confront the energy crisis rather than to indulge in further international economic planning. It is, in fact, unlikely that this week's Belgrade meeting would be held at all, were it not for the tradition that IMF members get together once a year at the beginning of the autumn. The IMF no longer enjoys the dominant position it once held in the management of the world's economic and monetary affairs and it has not yet found a new role. It is doubtful if one will emerge in Belgrade over the next few days.

One of the original purposes of the Fund was to lay down ground rules for an international monetary system based on fixed exchange rates—at least between the currencies of the developed Western nations. Balance of payments support was forthcoming for those in temporary difficulties, but on tough conditions. Countries with problems could rely on the Fund to tide them over in the short-term, provided they made the necessary adjustments. If not, parities had to be changed, at once implying the acceptance of similar economic and financial discipline at the new rate.

We are now living in a very different world. Western currencies are either managed by individual governments, or through regional arrangements like the European Monetary System, with scant regard for the IMF. If the EMS develops further it may well lead to the establishment of a quite separate European Monetary Fund that could take over, at regional level, a good deal of the role once played by the IMF at international level. Support for the dollar nowadays tends to be organised through bilateral arrangements. Governments have attempted to tackle the level of the Japanese yen as much through trade negotiations as anything else.

As a result, it is the developing countries that have become the main customers of the IMF, particularly since the oil price rises of the 1970s. But even they are now looking elsewhere for funds that have fewer strings attached than the finance available from the IMF. Until recently, developing countries actively sought an IMF seal of approval before going into the market place for funds from commercial banks. Now, the world is awash with liquidity and private banks are prepared to step in without waiting for governments to negotiate conditions with the Fund. For its part, the Fund does not see why it should bail out countries that get into trouble this way.

Conditional

There is nevertheless a role for the Fund to play. The problem is to find a middle road between scaring off potential borrowers by setting excessively rigid conditions and making money available on too attractive terms. There must be an element of "conditionality" in Fund lending. In the first place, the richer countries are not going to go on making funds available without some say in the way they are used. In the second, it does more harm than good to the recipients to pour money into their economies without any attempt at imposing discipline. The Fund, however, has not yet succeeded in establishing a new role. The so-called "substitution accounts" that are on the agenda in Belgrade could strengthen the Fund's authority if they enhance its role as an international banker. But in the end, the Fund will only justify its existence if it provides the sort of services that governments want to make use of. It has not yet found the full answer.

China thirty years on: cause for muted celebration

BY COLINA McDOUGALL

China lets a little of the West in—a poster advertising Charlie Chaplin's Modern Times

THIRTY years ago today Mao Zedong stood triumphantly before the great vermilion walls of the Imperial Palace in Peking to proclaim the foundation of the People's Republic. He was flanked by a band of guerrilla comrades united by the perils of war who shared a common vision of a strong, prosperous China and a philosophy of hard work and equality. This, they believed, would be rewarded in due course with modest affluence and contentment for all.

In 1979, three years after Mao's death, the comradely unity lies in fragments, shattered by the Chairman's own disruptive policies, and the vision remains unfulfilled. After the most painful reassessment ever, Peking's leaders are trying to rebuild a dislocated economy, inspire fresh idealism in a disillusioned and hungry people and patch up a semblance of cohesion in a government which has suffered something approaching civil war.

The three major disasters of the past three decades — the Great Leap Forward, the Cultural Revolution and the ascendancy of the Gang of Four —were deliberately set in train by Mao himself. Now that he is safely dead, the survivors of that band are hauling the wagon back on to its 1950s tracks. But realising their aims has become immensely more difficult because of the Cultural Revolution legacy of hate and injustice, the near-doubling of the population since 1953 and the demoralisation of the people through the recent years of anarchy.

Yet despite these setbacks, the Communist Government has scored major achievements in the past 30 years. Above all, it has held China together through a traumatic post-revolutionary period. It was heir to a country which had already disintegrated into warlordism and civil war. Part of its task was to weld the provinces back into one nation, an achievement it upheld even through the June, 1967, crisis of the Cultural Revolution when provincial army leaders refused to bow to the leftist leadership in Peking.

It has kept the population fed, albeit inadequately, by providing a peaceful environment for agriculture. And it has earned China the international recognition due to it as a country of a thousand million souls with an ancient culture and a large if still undeveloped economic potential.

Whatever criticisms the Chinese express now of their system as it has been over the past 15 or 20 years (and in recent months they have been more openly critical than most foreigners) the coming of communism with all its errors produced a more equitable society than the corrupt and inefficient one that preceded it. The improvement in distribution has meant only one major food shortage since 1949 (in the winter of 1960-61), in contrast to the regular bouts of famine in previous decades when millions died.

Basic education and health care, however inadequate by western standards, have penetrated everywhere. Personal freedom is severely restricted, but few people starve in the streets. The cruel campaigns against landlords and rich peasants immediately after Mao's accession to power were not prolonged unduly. Until the breakdown of law and order in the 1966-69 Cultural Revolution, the Communist Party exercised its sway more by persuasion and threats than violence.

With help from the Soviet Union, in the 1950s the Chinese were able to lay on basic foundation of industry. Thereafter, between the disruptive political movements, coal, steel, oil, heavy engineering and other industries increased and multiplied. The grasp of technology improved to the point where an admittedly select few have given China basic nuclear and rocketry skills.

Few dispute this degree of progress. But the failures have almost wiped out the achievements. What alarms Chinese leaders and many ordinary Chinese is the demoralisation of ideals and the decline in living standards since the 1950s. Traditional Chinese ethics have been debilitated and the political infighting, corruption and egoism displayed in recent years by leaders supposedly motivated by the highest ideals of Marxist-Leninism have done nothing to replace them. In the Gang of Four years the customary industriousness of the Chinese was eroded by the indifference of the authorities.

During the wasteful and destructive political movements, for every step forward in steel processing or electronics, the country took one back in motivation, administration and management. With an inexorable increase of over 2 per cent a year since the census of 1953, which Mao in the Leap years warmly encouraged and until now no leadership has tried consistently to curb, the population has almost doubled.

Consequently, though Chinese statistics show spectacular production increases, they are not true to the realities. Indeed the statistics themselves came under fire some months ago in the authoritative People's Daily as "30 per cent statistics, 70 per cent guesswork." Aggravating the whole situation is the fact that nobody much under 35—now nearly 65 per cent of the population—can remember a more orderly and more cultured China.

Rightly or wrongly many people in China lay the blame for their troubles on Mao. The present leadership, divided as it is between protégés and opponents of the great Chairman, has conceded that he was a patriot who unified the country and brought Chinese-style communism to power. Nevertheless, his populist campaigns, it is implied, begun originally to speed economic development but later pursued to seize back the power he had lost through his mistakes, undid the achievements. This highly controversial view has not been stated officially, but the moderates in the leadership are getting closer to it.

Mao's first great campaign was the 1958 Leap Forward. He believed that as growth was too slow, the country should make a supreme effort to farm intensively and to work round the clock in factories and mines. It ended disastrously in 1959 with an exhausted labour force, ruined equipment and wasted raw materials. In the recriminations that followed, the first serious rift in the guerilla band since 1949, Mao managed to sack several respected officials but he lost his grip on the leadership.

To recapture it and to reimpose his own egalitarian and mass mobilisation ideals, Mao then began to build up support in the army. He turned to his wife and her Shanghai associates to launch the Cultural Revolution and his attack on party leaders in Peking. This was carried out by students and young people who were given total freedom without responsibility to humiliate and ill-treat tens of thousands of senior men and women. This circumvention of all party machinery, let alone the rudimentary legal system, and the arbitrary accusation of political and personal enemies led to bullying injustice on a massive scale.

Political intrigue

Though Mao was forced in 1968 to wind down the Cultural Revolution because of ever increasing disorder, its effects lingered disastrously. New officials came to the fore who owed their positions to the unjust removal of the old. The power of the new leaders, headed by the Gang of Four, Mao's wife and her colleagues, prevented any restoration of the old legal system. Education, stimulated in the 1950s by the return of many brilliant and well-trained Chinese from abroad, was nullified by an empty syllabus and the disrespect in which teachers were held. Proper management and distribution were labelled bourgeois, since they required accurate accounts, obebience to rules and, worse of all, profits.

Consequently when Mao died in 1976, unfettered political intrigue was endemic. The legal system, never strong, had withered completely. Schools and universities had produced no well-trained graduates since the mid-60s.

Mao left behind him a divided leadership and a divided nation. Although the Gang of Four were almost immediately arrested, lesser supporters remained both at the top and throughout the country. Perhaps even more difficult to handle, everyone under 25 (about 600m people) had been brought up with a one-sided view of Mao-thought which stressed politics, class war and self-reliance to the detriment of practical economics and compromise. Even the middle-aged were, and are, afraid to step away from it.

The moderates in Peking have to persuade people that their rule has come to stay (not easy when many radical figures still remain in their posts), that practical, rightwing policies are not necessarily evil and that in any case class and other differences should be sunk to enable all to concentrate on economic growth. To mobilise all available talent and to remove causes of friction they are bringing in new, more liberal policies.

What Vice-premier Deng Xiaoping and the rest are probably aiming at is a resumption of the 1950s system. This was far from liberal, though respected figures from the arts, sciences and even religion could find a safe slot in it provided they conformed to the Communist Party's requirements. Individuals had some choice of job or school provided their families had even a humble string to pull. But to achieve a response from a broad enough spectrum of people, Deng has had to go further in allowing open criticism than anyone ever did in the 1950s except in Mao's ill-fated Hundred Flowers movement in 1957 which ended in arrests and condemnation.

Hence the toleration of the petitioners who have swarmed to Peking to get their wrongs righted, the on-off acceptance of critical wallposters (not many directly attacking Deng and the moderates, however), a more sympathetic attitude to employment and education. Not every new policy will be popular: the current draconian family planning programme (one child per family, with stiff sanctions if there are more) would not be a favourite anywhere but least of all among Chinese with their devotion to children.

But China's real deficiency is not among the labouring masses but in innovation and efficient management. To get higher productivity it is not enough to offer material incentives to the men metaphorically at the coal face: the leadership has to mobilise the researchers, the planners, the managers, the educated elite. For this, more than just money and consumer goods are needed.

Mao and the radicals failed to realise that China would need the stimulus of an enriched culture, more foreign contacts, scientific exchanges or even Charlie Chaplin at the cinema and Beethoven on the air. If the less attractive aspects of Western civilisation make their way in too, the strongest element in the leadership seems at present to accept it in the interests of a more vital society. In any case, as one Chinese official said recently *a propos* of prostitution (not after all a Western innovation): "there will always be sin."

In the 1950s no one would have called Deng and his colleagues liberal reformers and it is unlikely that they have become so now. Yet no one can deny that there has been just a glimmer of free thought and free speech in China in the past ten months. Possibly their own unhappy experiences when thrown on the junk heap of history by Chairman Mao have mellowed them slightly.

More likely, it is the pressure from below, and the urgency of development before China is swamped by its population which has pushed them towards tolerance of the democracy movement. It is ironic that what could in the end be the most important achievement in the New China should come about more through disaster than design.

MEN AND MATTERS

Short change for Sir Geoffrey

Money is, of course, a primary concern of the international financial community now gathered in Belgrade for the IMF annual meeting. But, to judge by reports of corridor conversation, it is not megabucks which prey on the mind, but the small change which oils the wheels of day-to-day life.

Inevitably there are some examples of what is colourfully known as price gouging, at which the Yugoslavs are showing themselves capitalistically adept. A group of Mexican journalists were charged £135 for a bottle of Courvoisier at the International Press Centre: a Mercedes and driver for six days run to over £750, and I hear the British and American delegations are still engaged in urgent consultation as to who should foot the expected £750 coffee bill on Wednesday morning when Chancellor Sir Geoffrey Howe and G. William Miller, Secretary of the U.S. Treasury, give consecutive early morning Press briefings.

Accommodation is also proving something of a problem. Belgrade's modest selection of hotels has been stretched to the limit to house the best part of 6,000 official delegates, Press guests and assorted groups. Some have found themselves 50 miles away, others can be heard complaining about the absence of bath plugs in distinctly utilitarian rooms. Certain prudent organisations had taken the precaution of renting villas or houses but misunderstandings are not unknown. The Bank of America contingent arrived to find itself villa-less, leaving A. W. Clausen, its Chairman, in an undignified scramble for any spare hotel room he could find, and his aides contemplating the prospect of park benches.

What the beleaguered financial multitude seems not to have noticed are the city's reasonably priced and gastronomically excellent restaurants. Perhaps it is because only Serbo-Croat is spoken at most of them that the intrepid financiers are put off; perhaps it is ideology. Central and commercial bankers have, it is said and perhaps instructive to report, entirely shunned the Cultural Workers Club, the finest place to eat and drink in Belgrade—once accurately described to me as the Garrick of the Balkans.

"Brighton? Just keep turning left."

Out for the count

A recent survey of the British beer market established a number of interesting facts—the non-U image of lager, for instance, despite the best efforts of the brewers to promote it. However, it is difficult to know how far to rely on more than the provable figures, such as how much we drank (5 pints a week) last year.

Researching beer consumption seems to be a particularly difficult one. People notoriously lie ("underreport"), and the researchers naturally have to avoid interviewing anyone at or near a pub. Even talking to people at home turns out to have pitfalls, says the report. "Underreporting" is even more common when the wife is present, and "heavy drinkers are difficult to locate at home because they are so often out drinking."

Wilting scare

Certain parties have been mortified by the suggestion in this column that our representatives in Strasbourg are concentrating on, well, less-than-topical issues by tabling questions about oak wilt. "Maybe you find Dutch elm disease funny," read one choleric telegram from a Euro-man in transit at Heathrow.

The time has come to set the record straight. I have never laughed at a tree; as for oak wilt, it is evidently a serious business. It has, for instance, attracted the close attention of the Timber Growers' Association, whose 2,000 members include most of the English landed gentry with any land left.

Public attention began to focus on wilt earlier this year when the French started pressing for a total ban on imports into Europe of American oak. One might be forgiven for suspecting here a certain excitability, even xenophobia. Oak wilt, a sluggish sort of fungus disease which partially affects about 21 U.S. states, has made little headway since it was recognised in 1942. Existing import regulations, involving removal of bark and drying out of wood, are generally felt to be adequate. But the Timber Growers' Association strongly supported the French, as did a number of others fearful of rampant wilt.

Since then it has emerged that, apart from its wide use in German veneer mills, American oak is the material from which our distillers north of the border make their casks. Nothing else will do. Once the whisky distillers had had their say an EEC ban looked less and less likely and when I spoke to him about wilt, Lord Norton, Secretary of the Timber Growers' Association, only talked mildly about the need to tighten up the regulations.

The EEC Plant Health Committee is reviewing the situation.

Pep talk

The Conservative conference is, notoriously, a tightly-run ship, reflecting perhaps the aggregated experience of running a million flower shows. Next week's gathering of the clans in Blackpool should prove no exception to the rule, with a level of discipline in the stage management never seen before. For example, a list of 12 points headed "Suggestions for Speakers" has already been circulated.

Mostly negative in tone, the "suggestions" should leave no one in any doubt as to what is expected: "On no account wander off into side-issues; There is no need to shout or use excessive vocal emphasis; Do not take any notice of the TV cameras. Remember you are addressing a live audience." The vital injunction, however, concerns time—six minutes for proposers and four for succeeding speakers: "If you can make your points in less time do so."

Should even this fail to deter dissidents and bores who might give the neglected TV cameras the wrong impression, the next suggestion should do the trick: "Immediately the chairman's first amber warning light is shown you have one minute in which to round off your speech. Don't wait for the second red warning light or you may have to end your speech half way through a sentence."

Next year, maybe, Central Office will also issue some suggested speeches of appropriate tone and length.

Tardy miracles

Scrawled on the door of a dance hall in Dover: "You have to kiss a hell of a lot of frogs before you find a prince."

Observer

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FINANCIAL TIMES SURVEY

Monday, October 1 1979

Nigeria

Nigeria, black Africa's most populous and powerful state, returns to civilian rule today after more than 13 years of military Government. It is a moment of triumph for the new President, Alhaji Shehu Shagari, but it is also a moment of truth for Nigeria's new constitution, designed to control the tensions generated in this rapidly changing society.

Test of political maturity

By Martin Dickson

NIGERIA TODAY reaches a watershed. Africa's most populous nation is returning to multi-party democracy after more than 13 years of military rule.

This morning, on the 19th anniversary of independence from Britain, Alhaji Shehu Shagari will be sworn in as Nigeria's first civilian Head of State since January 15, 1966, when military rule emerged from the growing chaos of the First Republic.

It is an event of the greatest importance for Nigeria and the whole of black Africa. For Nigeria, it is a test of political maturity and of the country's new, U.S.-style constitution, which is specifically designed to hold in balance the tremendous tensions generated in this rapidly changing society of 80m to 100m people and over 200 ethnic groups.

For Africa, any change of Government in the continent's diplomatic and economic giant is important. But the return to civilian rule in Nigeria has a more general relevance for a continent searching for political stability: it provides a rare example (with Ghana) of a nation reversing the trend towards military dictatorships or single-party systems.

President Shehu, the leader of the National Party of Nigeria (NPN), was elected in August in the last of five popular polls to select a new executive and legislature for both the federal Government and for each of the 19 states which make up the nation.

Those elections were the climax of a four-year programme to return Nigeria to civilan rule which was announced in 1975 by General Murtala Muhammed, the Head of State who was assassinated the following year. The successor Government of Lt.-General Olusegun Obasanjo has adhered to that programme meticulously, confounding cynics who argued that the military would never return to barracks.

The return to civilian rule has, naturally enough, produced widespread elation. But Nigerians are also keenly aware that it would be naive to portray civilian rule as a self-evident blessing or the 13 years of military rule as an unfortunate aberration.

People remember that the civilian governments of the 1960s displayed some most unpleasant characteristics, including corruption and the oppression of their political opponents. They also remember that the successor military regimes have played an important centralising role.

Bearing these factors in mind, today should be seen as much as a moment of truth for Nigeria as a moment of triumph: Has the nation really found a constitutional framework—and the men to run it—which can contain its extremely complicated mix of political rivalries, based on ethnic, regional, religious, cultural, economic and social factors? Or will there be instability, tempting another generation of soldiers to seize power and restore order?

The question is unanswerable, but a list can be drawn up of the positive and negative factors which will help or hinder President Shehu's Government.

Changed

On the positive side, the military are leaving behind a nation which has changed in some fundamental respects from that of 13 years ago—changes which have variously created a greater sense of nationhood, reduced regional and ethnic tensions, and increased the power of the federal Government at the expense of its component parts.

Nigeria now has 19 states instead of four powerful regions; the military has reformed local government, creating a uniform system out of a multiplicity of local forms. The new constitution is specifically designed to foster truly national political parties, to strike a careful balance between the federal Government and the states and between the executive and legislature.

Together with political change has gone an economic transformation based on the country's oil wealth. This has greatly increased the number of people with a vested interest in stability and it has also strengthened the hand of the central Government, whose revenue has grown by over 400 per cent since the 1973-74 oil price rise alone.

Furthermore, the disbursement of these Government funds in development projects across Nigeria has helped to foster a sense of nationhood which was little in evidence during the previous era of civilian Government. And this sense of nationhood, formed partly by civil war and the remarkable spirit of reconciliation which followed will be one of the new Government's most intangible but most important assets.

On the negative side, the new Government will encounter an extremely intimidating tangle of political, economic and social problems.

Economically, it is lucky in coming to power just as Nigeria is easing out of a sharp recession. But the economy remains delicate and President Shehu is likely to come under strong pressures to take action which could throw it off balance. The most serious of his early challenges seems likely to come from the newly formed Nigerian Labour Congress, pressing for major pay rises for its trade unionists.

In the social field, sudden oil wealth and the sheer size and complexity of the country have added immeasurably to the major problems generated by the development process.

Nigeria is a country with an immense divide between rich and poor; a country in which corruption is endemic, from the high reaches of government to the lowliest official; a country suffering a serious crime wave, particularly of armed robbery, which the deterrent of public executions has done little to solve.

Politically, Nigeria's new leaders face a major test in making their untried constitution actually work. It seems a framework far more suited to the country's needs than the Westminster model inherited at independence, but it will need restraint and understanding on all sides for it to work well.

Lack of restraint was a major factor in the political chaos which led to the military intervention of January, 1966. Ethnic tensions generated by the takeover, and by the counter-coup six months later which brought General Gowon to power, set in train the forces which led to Ibo secession and the civil war of 1967-70.

Now, however, Nigeria has a new framework of 19 states and a new constitution, both specifically designed to counter such fissiparous tendencies.

Legacy

The creation of 19 states out of Nigeria's former four regions is perhaps the single most important legacy of military rule. Certainly, it is a policy no civilian Government would have had the strength to carry through. Its effect has been to counter the centrifugal tendencies of having a regional system based on three dominant groups: the Ibos in the East, the Yorubas in the West and the Hausa-Fulani in the north. Political activity has now been relocated in 19 smaller units, and a much stronger voice has been given to Nigeria's minority tribes, who comprise over 30 per cent of the population.

The new constitution, for its part, is specifically designed to encourage national rather than ethnic or regional political associations. To take part in elections, parties must show that they are going concerns in at least two-thirds of the 19 states. Similarly, for a President to be elected on a first round ballot he must obtain not merely the highest number of votes cast but also a least 25 per cent of the poll in two-thirds of the states.

What have been the practical effects of this framework in the year since the military Government lifted its 13-year-old ban on party political activity?

The first major result was that only five out of more than 50 political associations were deemed to have met the rquirements of a "national" party—and all these five were led by politicians who had been prominent in the 1960s: Alhaji Shehu Shagari of the NPN, Chief Obafemi Awolowo of the Unity Party, Dr. Nnamdi Azikiwe of the Nigerian People's Party, Alhaji Aminu Kano of the People's Redemption Party and Alhaji Waziri Ibrahim of the Great Nigeria People's Party. With such a line-up of old timers, Nigerians could be forgiven for asking how much had changed from the 1960s. The answer provided by the election results was that there had been both continuity and change.

The strong block votes in the East and West for Dr. Azikiwe and Chief Awolowo, respectively, showed the continuing importance of regional and ethnic ties, but, against this, the poll saw a fissuring of the solidity of the old north.

Most important of all for the future, the NPN emerged from the election with sufficient support across the nation for it to be able to claim the title of Nigeria's first truly national party. President Shagari topped the poll in nine states, won 25 per cent of the vote in 12 and 20 per cent in a thirteenth.

Unfortunately, the elections

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The economy

Tough measures pay off

THE NIGERIAN economy has regained a measure of stability just in time for the handover to civilian rule—after four years of overheated boom and two years of sharp recession.

As General Obasanjo and his colleagues leave office they can justifiably claim that the tough economic measures taken over the past 18 months have set Nigeria on a more balanced growth path than the uncontrolled rush forward which followed the 1973-74 quadrupling of the price of oil.

At the same time, it has to be said that the inevitable problems produced by sudden oil wealth were compounded by some serious economic misjudgements from both the retiring military Government and the preceding regime of General Gowon.

Furthermore, the relatively rapid recovery of the economy from recession has been aided by a factor beyond the Government's control: the windfall gain of a sharp rise in the price of oil and demand for Nigerian crude following the upheavals in Iran.

According to Major General James Oluleye, the retiring Commissioner of Finance, Nigeria's oil earnings in 1979 should be at least 50 per cent higher than in 1978. Preliminary, conservative estimates put them at N6.88bn. Other figures given to the Financial Times by the Commissioner further underline the recovery of the economy.

He estimated that real GDP growth, which had dropped to 5.5 per cent in the 1978-79 fiscal year, would rise to 9.1 per cent in the year to next April. The current account of the balance of payments was expected to swing back into surplus in calendar 1979 after last year's record deficit of over N2.3bn.

Foreign exchange reserves, which dropped to around N1bn at one time last year, now total around N2bn, covering between three and four months worth of imports. The inflation rate, officially estimated at around 10 per cent but possibly somewhat above this, is lower than at any time since the oil boom got under way.

As General Oluleye points out, all this means that the economy has been placed back on a "sound footing" in time for the civilian Government to reap the benefits.

The crucial economic question facing Nigeria now is whether the civilians will be able to maintain this equilibrium in the face of powerful pressures on them to relax the tough regimen imposed by the military.

It is vital for Nigeria's long-term prospects that they resist these pressures. The sharp downturn of the past 18 months has in many respects been a blessing in disguise, enabling the Government to cool down an overheated economy, rethink its priorities and go for more balanced growth in the 1980s. By following the broad path set by the military, but correcting some of its weak points, the civilians have the opportunity during the next two or three years to redirect and strengthen the foundations for long-term growth.

Challenges

The civilians will face several major challenges, both short and medium term. One of their most immediate priorities must be to prevent a wages explosion after three years of pay restraint imposed by the military. They must also resist pressures for the precipitate lifting of import controls, which would have serious balance of payments consequences, and they will have to maintain a strong hold over Government expenditure to keep the present deficit on the capital budget within manageable proportions. They must also adopt a sensitive approach to the volatile international oil market, balancing the desire for quick gains against the need to maintain good long-term relations with the oil companies. More than once, the over-confident, heavy-handed approach of the military to the oil market rebounded to Nigeria's disadvantage.

In the longer-term, the civilians face two major challenges. The first is the immensely complicated task of reviving Nigeria's ailing agricultural sector. The second is to build a sounder industrial base. In the public sector, this entails a careful re-appraisal of Nigeria's heavy industry plans to ensure the most economic use is made of scarce resources. In the private sector, it means restoring the confidence of potential foreign investors who have been scared off by a host of disincentives.

However, the business and financial communities have taken heart from the cautious approach to the economy adopted to date by the new President, Alhaji Shehu Shagari, himself a former Finance Commissioner.

In an interview with the Financial Times, Alhaji Shehu stressed that he wanted to create a climate of confidence for the foreign investor, that the new Government would adopt a tough approach to public expenditure, that it would introduce no major economic changes before next April's budget and that it would approach the wages issue cautiously to ensure that any increases were non-inflationary.

Provided the Shagari Government can maintain an equilibrium, the medium- and long-term economic prospects for Nigeria must be bright. Its oil should last for more than 20 years and its vast gas reserves could become a major foreign exchange earner during the 1980s. With a population of between 80m and 100m, it has by far the largest domestic market in Africa.

The economy which the civilians are inheriting has—thanks to oil—grown out of all recognition since they were last in power in the mid-1960s. The change since the 1973-74 oil price rise has been particularly remarkable. Mr. O. O. Vincent, Governor of the Central Bank, pointed out recently that real GDP at factor cost had risen from N14.4bn in 1974-75 to an estimated N22.7bn this year, while federal Government revenues had gone up from N1.7bn in 1973-74 to N8bn in 1977-78—a rise of 370 per cent in four years.

However, the course followed by the economy since the oil boom has been far from smooth. Understandably anxious to capitalise on its sudden wealth, Nigeria launched an extremely ambitious development plan in 1975 which greatly overestimated future oil earnings. In the same year, the Government granted public sector workers 60 per cent pay rises backdated for 10 months—the so-called Udoji award—and private sector employees won similar increases.

The pay rises were an extraordinary blunder, which sent inflation spiralling out of control, and this, in turn, made the Government's development plans more unrealistic than they had been to start with. Taken together with severe manpower and infrastructure constraints, this meant that development moved ahead in a very patchy, ill-co-ordinated fashion.

Downturn

Then, in mid-1977, began a downturn in Nigerian oil production which was to send the economy into a sharp recession and almost bring the development plan to a halt. Reasons for falling oil production included slacker world demand and the coming on stream of new sources of low-sulphur crude to rival Nigeria's production. But a major contributory factor was the Government's misreading of the oil market and its attempts to charge a higher price than this would stand.

By March, 1978, production was down 32 per cent on a year earlier to 1.52m barrels a day, and the Government was in major financial difficulties, with commitments outrunning funds. Lower export earnings at a time of rapidly rising imports swung the balance of payments into deficit and meant a rapid drawdown of foreign exchange reserves.

The Government was forced to take drastic action, and in April last year it introduced a budget which slashed federal expenditure by some 30 per cent, slapped on major import controls and imposed a sharp liquidity squeeze. By late last year these measures were starting to produce results, while a more realistic pricing policy had sent Nigerian oil production back up to 2.3m barrels a day. Then came the Iranian crisis, sending the oil price soaring and Nigeria's production to an all time high of 2.44m barrels in January.

Despite this turnround, the economy is recovering only gradually from the recession and careful controls need to be maintained on both Government expenditure and the external account. This is clearly demonstrated by last April's federal budget, which did little to relax the constraints imposed a year earlier.

The budget allowed for a rise in federal recurrent expenditure of 3.5 per cent, from N2.8bn to N2.9bn. Capital spending was to rise 27 per cent, from N5.2bn to N6.6bn, but N1.1bn of this expenditure was put on ice until the revenue position improved. The Minister of Finance now says that rising oil income and a much improved system of tax collection mean that at least part of the N1.1bn is now likely to be unfrozen.

Nigeria's 19 states, which have in the past been thoroughly spendthrift, were even more restrained than the federal authorities. Their overall budget for 1979-80 amounted to N4.68bn as against N4.72bn in 1978-79, itself a year of retrenchment.

Both the federal and the state Governments undertook to "meet existing financial obligations before new commitments are contemplated," a reference to the fact that many contractors have been suffering severe cash flow problems because of the State Governments' failure over the past year to pay their bills when they fall due. Companies say payment of these debts — which in some cases run to tens of millions of Naira — is gradually coming through, but remains patchy.

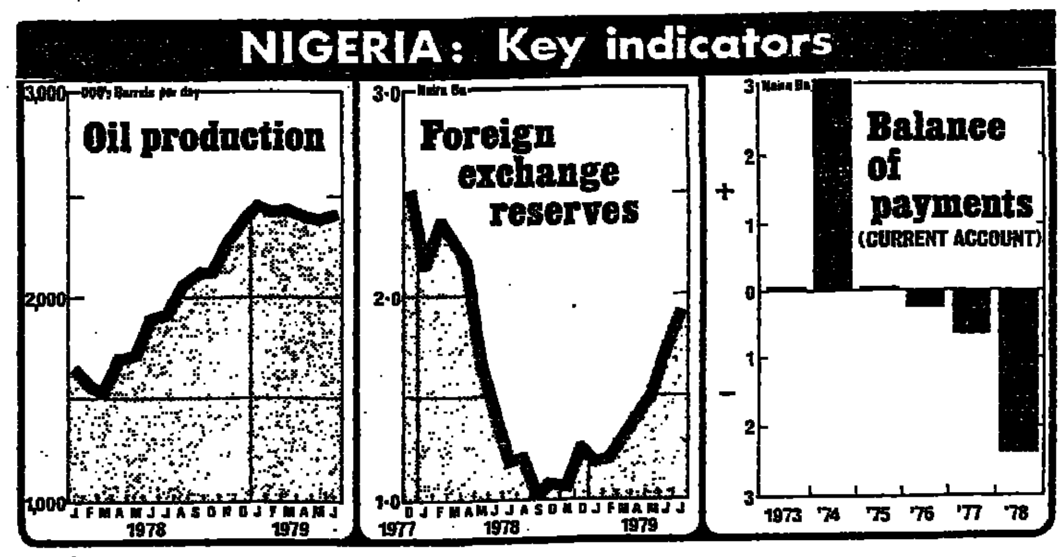
Other major features of the budget included a continuation of wage restraint and additional import restrictions, although the Government did allow some relaxation of the liquidity squeeze.

The civilian administration is therefore inheriting a budget which places strong emphasis on continuing restraint in both public and private sectors, and this will be a valuable asset in its attempts to maintain financial discipline. What are the other major factors President Shagari will have to weigh up in trying to maintain equilibrium?

● Wages. The military Government's pay restraint policy — an attempt to reduce post-Udoji inflation — has been in force since 1976. Workers' take-home pay has been rising during these three years, through a combination of merit increments, job reclassification and changes of employer, while fringe benefits have also improved. But these rises have nowhere near kept up with inflation. Pressures have been building up for a relaxation of the controls, but it is not yet clear how strong these pressures will prove.

On the one hand, the two-year-old Nigerian Labour Congress shows every sign of flexing its muscles in a way it could not under military rule. On the other, the recession has both created fears among workers of losing their jobs and lowered inflationary expectations.

● Trade: Nigeria's balance of payments current account should be back into surplus this year, partly because of rising oil exports and partly because of a dramatic reduction in imports due only partly to the 1978 budget restraints. Much of the fall in imports is attributable to the major bureaucratic hiccoughs which accompanied the introduction of pre-shipment inspection at the start of this year—and that should have a largely temporary effect on the flow of goods to Nigeria. Powerful trading interests will be calling on the new Government to relax import controls, but the medium term interests of the economy suggest that any such move should be only gradual and partial. The oil market may be buoyant and foreign exchange reserves rising sharply but even if the present import controls remain effective, Nigeria is likely to need substantial external finance over the next few years.



£1=1.255 naira

Promises

● The Budget Deficit: The new Government will have a lot of political promises to keep but limited resources with which to do so. Although Nigeria has maintained a large excess of revenue over recurrent expenditure since the oil boom began (N3.4bn is being transferred this year to the capital account), it has in the past few years run up substantial overall budget deficits to finance its development plans. This year it has budgeted to borrow N1bn internally and N1.12bn externally and it could be imprudent for the civilians to exceed these already substantial sums.

The emphasis of the offshore borrowing programme has shifted away from the two "jumbo" Eurocurrency loans for $1bn and $750m raised during the past two years. There were substantial difficulties in negotiating the second of these, and the Government has now switched to borrowing smaller sums more frequently and for specific projects.

External borrowing on this scale presents no major difficulties for Nigeria at present. Its debt servicing ratio is still less than 1 per cent, and the service on debt contracted by the end of 1978 is expected to rise to just 4 per cent of earnings in the early 1980s, when the jumbos start being repaid.

Nevertheless, one influential team of international economists has argued—albeit with the oil market presenting a variable which is hard to gauge accurately—that on present growth patterns Nigeria should start to experience external borrowing constraints by the mid-1980s.

Immediate budgeting problems apart, the new Government will face a major challenge in trying to place the Nigerian economy on a sound long-term footing, diversifying away from the present over-dependence on the oil sector.

The most pressing, but also most complex, problem area is agriculture. Production of Nigeria's major export crops has either stagnated or declined in recent years, while food output has not kept up with the population increase. Food has been making up a larger and larger share of its import bill.

To make the economy less dependent on imported consumer goods, domestic industrial production and foreign investment need stimulating; yet one of the military Government's unfortunate legacies to the civilians is a poor investment climate.

Nigeria's unreliable infrastructure and communications, cumbersome bureaucracy, unremarkable investment incentives, limitations on repatriation of profits and tight expatriate quotas have all played a part in this, but one of the most damaging blows has been the military Government's two indigenisation decrees.

Companies thought the first decree of 1972 was the Government's final word on the level of the overseas shareholding in Nigerian companies, but when five years later a second decree forced them to divest a further percentage of their equity, many companies began to wonder where the process would end. The new Government will face an uphill battle to woo new foreign investors, a task not made easier by the recent nationalisation of BP.

The civilians begin with the advantage of knowing from the inside how business works and having a more subtle approach to it than the military, whose well-intentioned but heavy-handed decrees have often proved counter-productive.

However, the great advantage of the military was its ability to impose a strict regime on the country and make it stick. The civilians have to prove that they can maintain economic discipline, and wages look like being their first testing ground.

Martin Dickson

Maturity

CONTINUED FROM PREVIOUS PAGE

ended on a messy note when the Federal Electoral Commission—in a controversial interpretation of what constitutes 25 per cent of the vote in two thirds of 19 states—declared Alhaji Shehu Shagari the winner on the first round, a decision immediately challenged by his opponents.

Chief Awolowo, the runner up, even tried to get the decision overturned in court, arguing that the NPN had needed to secure 25 per cent in 13 states for a first round victory and this it had failed to do.

However, President Shehu clearly had far broader popular support than any other presidential contender. The Commission's ruling thus satisfied the spirit, if not the letter, of the constitution. It also avoided a second round ballot in an electoral college made up of the parliamentarians, which could have been seriously divisive and produced large-scale attempts to buy votes.

Yet the NPN's victory is far from total. In both houses of the federal assembly it is the largest single party, but in neither does it have a majority. Clearly, it will need to form some kind of working alliance with one or more of the other parties. The most likely partner is Dr. Azikiwe's NPP, although the nature of the new political system means that such alliances are likely to prove more fluid than those of the past.

To an extent perhaps not fully realised by the politicians themselves, the new constitution should mean an end to the "winner takes all" form of politics entailed in the Westminster system. The division of power between the executive President and the legislature should cut across party loyalties to a considerable extent, with alliances in the federal assembly changing as the issues before it change.

Whatever alliances do emerge, all the political leaders will have to proceed cautiously, exercising the utmost restraint, if the new system is to get off to a good start. The new President will have to make clear that he is a national rather than a sectional or party political leader. The constitution helps him here, by insisting that his cabinet includes a representative of each state.

He will also need to develop an understanding with the state Governors, 11 of whom come from parties other than his own, and to impress himself upon both the federal legislature and the public as a strong leader, capable of giving a sense of direction to the nation.

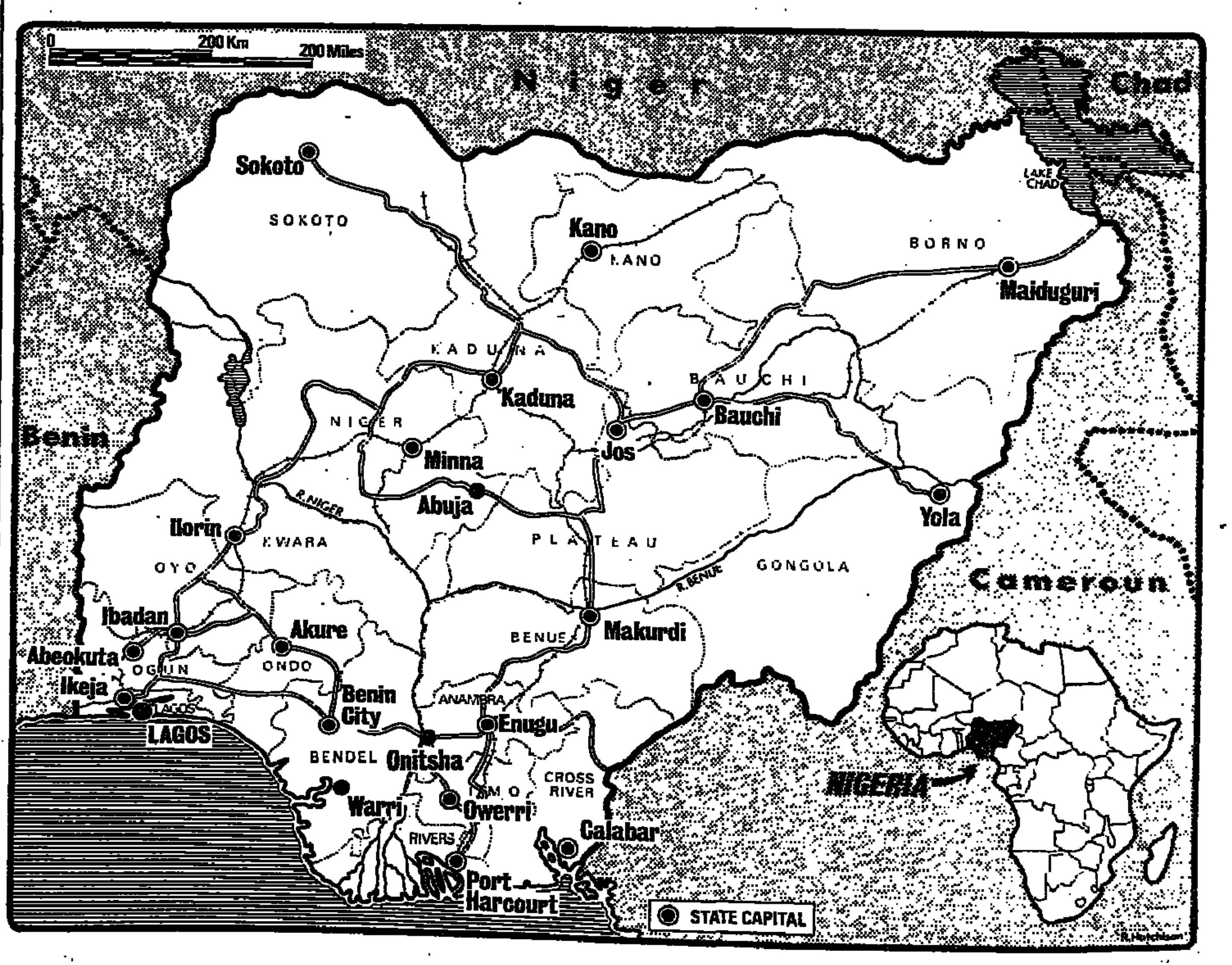
That will be no simple task. Alhaji Shehu is one of Nigeria's most respected and experienced politicians, but he lacks charisma, and a question mark remains over the extent to which he will be able to exert authority on the galaxy of political heavyweights in his party.

No less than on the President, responsibility for ensuring the survival of the new system lies on the shoulders of the other four party chiefs, particularly Chief Awolowo, the runner-up and undisputed leader of the Yoruba people.

Chief Awolowo has never disguised his long-standing ambition to be President. Having failed now, will he be prepared to be a good loser and help make the new system work?

The fact remains that no matter how good Nigeria's new constitution turns out to be, it is only as good as the men who are working it.

Those men are outwardly the same ones who saw the first republic crash around them in 1966. But they have also lived through 13 years of military rule and know that while Nigeria's highly politicised army is returning to barracks, it will be watching over their shoulders and judging them. It should be a sobering thought.



Election campaign

Old times return

CENTRAL LAGOS on a hot afternoon in February and a group of drummers and dancers are hard at work. They are building up an atmosphere at a political rally, weaving in and out of the crowd which has gathered patiently to await the arrival of the Presidential candidate. "Victory!" shouts a cheer-leader. "Power to the people!"

There is a relaxed, jolly atmosphere about the proceedings, rather like a friendly football or baseball match. The sporting impression is reinforced by the many people wearing neat little jockey caps in the party colours—black, yellow, green and red—or Nigerian People's Party badges.

Finally, after delays lasting more than an hour, comes the moment for which everyone has been waiting. A tan Mercedes nudges its way through the crowd and from 2,000 throats comes forth a long low cry not heard at a party political rally in Nigeria for 13 years: "Ziiiiiik!"

Zik, or, to be more formal, Dr. Nnamdi Azikiwe, Nigeria's first President, is back on the campaign trail, the leader of one of the five parties contesting the country's civilian rule elections.

A new way of campaigning: this villager attached a poster of his candidate to his fan

This was the scene at just one of thousands of rallies held across Nigeria during the past year of political campaigning. For older people, who could remember the political era which ended with the military coup of 1966, it must have seemed just like old times. For the generation which has grown up knowing nothing but military government, it must have been rather confusing. But whatever it was, Nigeria's return to party political activity was never boring.

The year was marked by constant intrigue; by the formation, near formation, or undoing of alliances; by the trading of insults interspersed with real arguments; and by repeated challenges by disgruntled politicians to the rules of the game.

Happily, however, the year was also marked by a singular lack of serious violence. Given Nigeria's turbulent political past, there were grounds for concern that major trouble could develop during the campaign. But with the military breathing down their necks everyone was on his best behaviour.

Concern over possible violence must have been at the back of Gen. Obasanjo's mind on September 21 last year when the Head of State announced the lifting of the 13-year-old ban on party political activity. "We must subjugate our passion, emotion and greed to wisdom and reason," he declared. Parties must not "embark on the politics of deceit, false hopes, empty promises and unattainable goals which will eventually lead to unrealistic expectations, bitterness, discontent and the unhappiness of the electorate."

But in the exuberant atmosphere which followed his broadcast, many would-be politicians set up small parties and found themselves unable to resist making the most impossible of promises. All vowed to improve on the works of men, but some even suggested they could improve on the works of God (who naturally, supported their party).

Thus it was that one party promised to halt the advance of the Sahara desert and push it back. Another vowed to eradicate the vermin of sectionalism. A third simply said it would eradicate vermin (and mosquitos) within a mere 12 months.

The indications were that many Nigerians, made cynical by the unfulfilled political promises of the 1960s, took these claims with a healthy measure of scepticism as party after party crowded into the arena. Finally, there were more than 50 political groups, ranging from major parties with a clear chance of victory to small ones with titles such as the Movement for the Eradication of Poverty and Promotion of Justice. Even Fela Anikulapo-Kuti, the pop musician, set up his own party.

The spirit of the times was caught brilliantly by Candido, a columnist in the newspaper New Nigerian, who announced to "the general public and my hordes of well-wishers, admirers, bootlickers, hangers-on and just plain parasitical nuisances that I, Comrade Chief (Dr.) Alhaji Candido will officially launch my own national party on the 24th November, 1978. . . .

"In taking this momentous step I assure our poor, downtrodden, maltreated, exploited, etc., etc., suffering masses that as soon as I am firmly installed as Mr. President, all their sufferings will be immediately wiped out, finished, kaput!"

However, by the turn of the year the campaign had become more serious in tone and more ordered in character.

The Federal Electoral Commission (FEDECO), under Chief Michael Ani, which was responsible for running the elections, had to decide which of the 50-plus would-be parties were qualified to contest the polls, and this it did in December.

To qualify, a party had to reflect the federal character of the nation. It did this by having members on its executive from at least two-thirds of the 19 States and offices in an equal number of States. FEDECO ruled that only five of the 17 parties which finally applied for registration were really national in character. These were as follows.

● The National Party of Nigeria (NPN), with Alhaji Shehu Shagari, 54, as its Presidential candidate and a very large number of veteran political heavyweights on its executive (not a few of them with tarnished images). From the outset it was clear that this was the party to beat. It was seen partly as heir to the old Northern Peoples Congress, which dominated northern politics in the 1960s and so also the federation. It also included members of the NPC's old Yorubaland ally, the Nigerian National Democratic Party (NNDP). But from the beginning it was clear that the NPN was more than just a reincarnation of these two, since it attracted numerous tribe politicians to its banner and some old opponents of NPC, notably Chief J. S. Tarka, the Tiv leader.

● The Unity Party of Nigeria (UPN), with Chief Obafemi Awolowo, the 70-year-old veteran Yoruba politician, as its Presidential candidate. From the start Chief Awolowo was the dominant figure in and guiding force of the party. The UPN seemed very much a direct descendant of the Chief's Action Group, which dominated Yoruba politics in the 1950s and 1960s.

● The Nigerian People's Party (NPP), with Dr. Nnamdi Azikiwe, 75, as its Presidential candidate. The NPP was a natural rallying point for Zik's fellow Ibos, and it had affinities with the National Council of Nigerian Citizens (NCNC) which he led in the 1950s and 1960s. However, the NPP also appealed to some non-Moslem politicians from Plateau State.

● The Great Nigerian People's Party (GNPP), with 53-year-old Alhaji Waziri Ibrahim as its Presidential contender. The GNPP was very much a personal political platform for Alhaji Waziri, a millionaire businessman from Borno state in the extreme north-east of the country. It was formed after he stormed out of the NPP, angry that he could not be both the chairman and presidential candidate of that party.

● The People's Redemption Party (PRP) with Mallam Aminu Kano, 58, as its Presidential candidate. The PRP bore a marked resemblance to the Northern Elements Progressive Union (NEPU), the party Mallam Aminu led in the 1950s and 1960s against the NPC, which represented the conservative northern establishment. A charismatic intellectual demanding radical social change in the north, Mallam Aminu had long had a strong personal following in his home town, Kano.

The realisation that all these parties were led by people who were prominent in the discredited political era of the 1960s led to expression of disappointment that younger men and women, with new ideas, had not been able to make a stronger showing. It also led to much talk of "old wine in new bottles." But on closer acquaintance it seemed that the bottles in which the politicians were presenting their intoxicating ideas also had a distinctly musty appearance; that the "new" political parties bore a marked resemblance to those of the 1960s.

Dr. Azikiwe strengthened this impression by making the embarrassing gaffe of referring to his new party by the name of his old one. "Ladies and gentlemen," he told a rally in Lagos, "I want to present to you the standard bearer of the NCNC —." Pause. "Sorry, I beg your pardon. The NPP!"

In fact the 13 years of military rule had wrought some major political changes and it was both unfair and inaccurate to label the new parties as simply carbon copies of the old. The most important of these changes was Nigeria's new constitution. This laid down that parties must be national in character and that anyone wishing to become President on a first ballot must not only get the highest number of votes cast nationwide, but also at least 25 per cent of votes in two-thirds of the states.

This meant that politicians could not simply rely on support in their home base. They must go out and canvass backing throughout the 19 states. This in turn affected the character of the parties they led.

Nowhere was this process more marked than in the NPN. Its northern predecessor, the NPC, had been a chauvinistic, inward-looking, defensive party based on the north. The NPN from the start tried to be a party with an appeal which stretched far beyond the borders of the old north and, as the election results finally demonstrated, it achieved this.

The manifestos issued by four of the five parties (the PRP being the exception) were all remarkably similar. All laid strong emphasis on providing greater educational opportunities, improving the lot of the farmer and agricultural productivity, and on revitalising the country's much-pilloried public utilities: "The present era in which telephones are mere adornments in homes and offices will be brought to a speedy end," declared the UPN.

Emphasis

Each manifesto laid a slightly different emphasis on each goal. The NPN, for example, laid particular stress on foreign investment in its industrial plans, while the NPP had the clearest ideas of what should be done to revive agriculture. The UPN was the most bombastic: "We fearlessly declare that, after very thorough thinking and searching, we have the plan that can and will surely set Nigeria on the swift road to greatness, wealth and social justice."

The parties have been criticised in some quarters for producing such similar manifestos, but this is unjust. Given Nigeria's deeply entrenched capitalist spirit, the constraints of development policy and the strong economic guidelines laid down by the military, it is hardly surprising that there should be a concurrence of views. Where the documents can be faulted is in the cynical lack of thought which some display.

It is harder to throw this accusation at the PRP, which laboured long and hard before finally giving birth to its manifesto a few weeks before elections. It was the only one of the five to give a serious analysis of the changes wrought by the military and the problems they are leaving behind. It was also the only one to put forward an alternative, Socialist-orientated, development model, although even its suggestions were hardly revolutionary. Just about its most radical idea was for the State to "take control of the commanding heights of the economy, particularly banking, insurance and heavy industry."

In so far as any one issue was seriously debated during the campaign, that issue was education. The origin of the debate was the UPN's claim that it would introduce free and compulsory education at both primary and secondary levels from October 1. The other parties all said they would work towards the same goal, but dismissed the UPN's claims as utterly unrealistic.

Unfortunately there was less discussion of the purpose of education. At the height of the controversy, newspaper columnist Sully Abu asked what should be the goals of free education. "What will be its ideological base? What will happen to the hordes of people turned out by such a scheme?" From the politicians there came no answer.

The quality of debate was particularly poor when it came to matters economic. Take, for instance, the GNPP manifesto which declared that Nigeria had borrowed "astronomical sums of money from the International Monetary Fund." In fact, Nigeria has borrowed nothing from the IMF, although it has borrowed substantially on commercial terms from the Euromarket.

Those Euroloans also came in for criticism from Dr. Azikiwe, but his argument bore little relation to economic realities. He condemned the military Government for going "cap in hand" to look for Eurodollar loans when the pages of Nigerian newspapers showed that stocks and shares for sale in Nigeria were oversubscribed. "This shows," he said, "that there is enough money in the country for all the Government's needs."

However, the campaign was not won or lost so much on party manifestos and economic policies as on a host of other interlocking factors far less easy to pin down. They included the personalities of the politicians, their past conduct and—particularly important—their future ability to deliver the rewards for giving them support. Equally potent, and in many areas more so, were the ethnic, regional and local rivalries the politicians could play on.

Much of this was hidden from view, but the tip of the iceberg could be seen in some of the abuse poured on rival candidates for their personalities and past conduct. Zik, for example, had to defend his ambiguous role in the civil war, when he started on the Biafran side and ended up in exile in London. Awolowo, highly unpopular in the east for his role before and during the civil war, published a pamphlet entitled "Does Awo hate the Ibos?" The answer, of course, was no.

Finally, the campaign was won or lost in the gruelling slog of travelling around this vast country month after month after month: bumping along dirt tracks to remote spots; sharing a dance and palm wine with villagers or cola nut with headmen; promising to build a new road here, a post office there.

By the final two months of the campaign, there was a distinctly ragged air about all the parties. This was hardly surprising, since most people had expected the elections in April, whereas the military finally convened them in July and August.

But the campaign did have one final kick in its tail—a threat that both Dr. Azikiwe and Mallam Aminu would be disqualified from standing as President.

The first sign that this possibility was looming came in an announcement by FEDECO that it was not granting special security protection to these two candidates because it did not seem they had paid their taxes in accordance with the electoral regulations.

Dr. Azikiwe immediately went to court in his home State of Anambra and obtained a ruling that he had paid his taxes in accordance with the law.

FEDECO is not bound by court judgements but when it finally came to vet all candidates, it gave Dr. Azikiwe conditional clearance to stand for election. But it disqualified from the poll more than 800 candidates at all levels, largely for failing to clear the tax hurdle.

One of these was Mallam Aminu, who then sought and obtained from the courts in Kano a ruling that he had paid his taxes. With only days to go before the Presidential poll, FEDECO yielded and gave him permission to stand.

It was a messy end to the campaign and led to some severe criticism of FEDECO and the vetting process. It was argued that at the very least FEDECO should have given its ruling earlier, so that two of the five parties would not have gone into the final weeks of campaigning not knowing whether their Presidential candidate would be allowed to stand.

M.D.

Election results

Much food for political analysts

THE RESULTS of Nigeria's general elections — the first major countrywide poll since 1964 — provide a rich insight into political continuity and change in one of Africa's most complex societies.

The outcome of the five polls —for a federal senate and house of representatives, for 19 state assemblies and Governors, and finally for a federal president —will provide political scientists with years of research material. But on even the most cursory of examinations, three major features stand out from the results:

● The emergence of the National Party of Nigeria (NPN) as a political movement with a significant following across the country, stretching far beyond the northern home of its Presidential candidate, Alhaji Shehu Shagari. As its name suggests, the NPN proved itself to be Nigeria's first genuinely national (as opposed to regional) party.

● At the same time, the results show strongly the continuing importance of tribal, regional and clan loyalties in voting patterns. This is seen most clearly in the south of the country, where the Unity Party (UPN) of Chief Obafemi Awolowo, the Yoruba leader, and the Nigerian People's Party (NPP) of Dr. Nnamdi Azikiwe, the veteran Ibo politician, scored runaway victories in the Yoruba and Ibo heartlands respectively.

● While block regional voting was taking place in the south, the very opposite was occurring in the north, where politics during the 1950s and 1960s had been dominated by the Northern People's Congress (NPC). The NPN, which some see as the heir to the NPC, found itself defeated in several states. Even in the 1960s the former Northern Region was never a complete monolith, but it is even less so now.

From these basic patterns, analysts can reach a wide range of conclusions varying from extreme pessimism about Nigeria's political make-up to extreme optimism.

Many Nigerians, for example, have been disillusioned by the strong ethnic pattern of voting. The disillusion is generally in inverse proportion to the optimism with which people had awaited the return to party politics, believing that 13 years of military rule would have somehow radically changed political alliances.

Such optimism was, however, never very realistic. Political alliances everywhere are forged out of lowest common factors, and in Nigeria, as everywhere else in Africa, the tribal card is the most obvious one for the politician to play. Even so, it was far from universally used in the Nigerian campaign.

As a counterpoint to a gloomy view of the results two further points are worth noting. First, it is wrong to portray the victories of Chief Awolowo and Dr. Azikiwe as simple tribal gut reactions. Special reasons can be advanced for the success of each.

In the case of Chief Awolowo, contributory factors probably include the sheer magnetism of the man; the extremely efficient manner in which he runs his campaign machine; the popular appeal of his promise of free primary and secondary education; and the creation of 19 states in 1976, which may have taken some of the heat out of intra Yoruba rivalries.

Dr. Azikiwe's success would appear to be due to a determination by the Ibos to stick together and demonstrate that, with the civil war now well behind them, they are a force to be reckoned with in national life. (It is noteworthy that Ibo vice-presidential candidates figured on the lists of the four other parties.)

The second point is that Nigeria's new electoral regulations, specifically designed to counter the tribal factor, have made politics far more national in character. Looking to the future, this is probably the most important and hopeful result of the poll.

Central to this has been the requirement that for a President to be elected on the first ballot he must not only get the highest number of votes cast but at least 25 per cent of ballot papers in two thirds of the states. The result has been to drive all parties out of their home bases in search of allies elsewhere in the federation, although some were less good at this than others.

No party was more successful than the NPN, which managed to gain the support of some key minority groups. And with the erosion of some of its expected Northern support, it is likely to rely more rather than less on these groups in future.

The breadth of support for the NPN can be gauged by the result of the Presidential election, in which Alhaji Shehu scored 5,688,857 votes to 4,916,651 for Chief Awolowo, 2,822,523 for Dr. Azikiwe, 1,732,113 for Mallam Aminu Kano of the People's Redemption Party (PRP) and 1,686,489 for Alhaji Waziri Ibrahim of the Great Nigeria People's Party (GNPP). The NPN topped the poll in nine states, won 25 per cent of the vote in 12, and managed to gain 20 per cent in a thirteenth, Kano. It was the winner or runner-up in all but one state of the federation, Lagos.

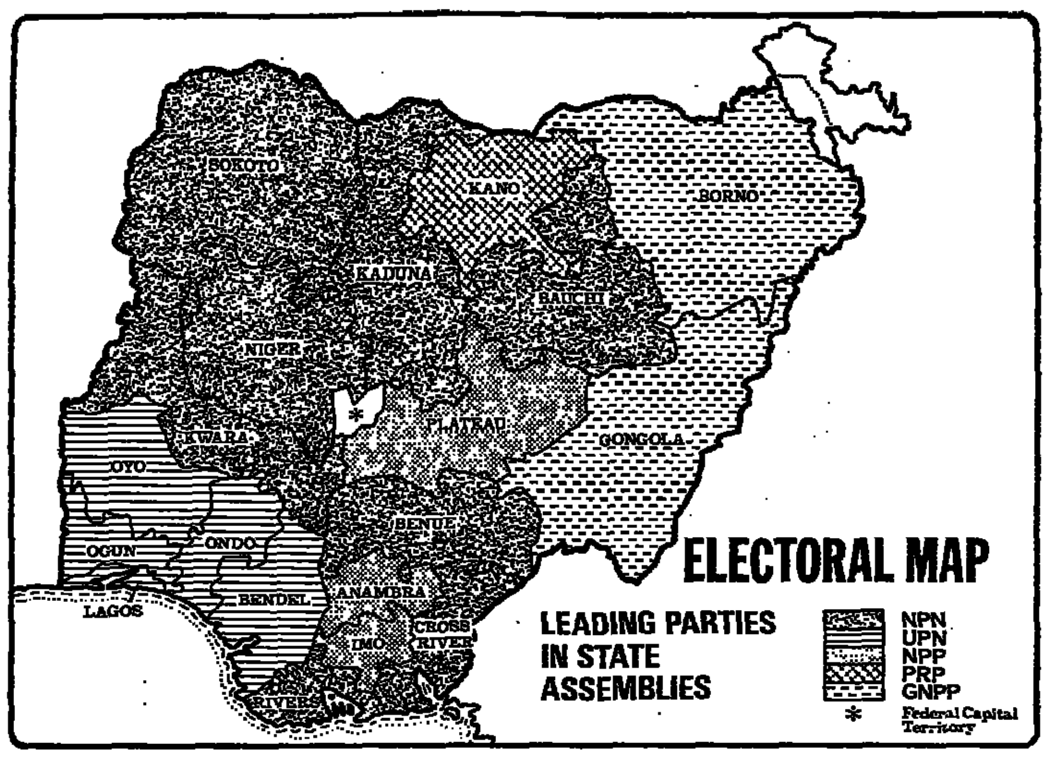
Alhaji Shehu's nearest rival, Chief Awolowo, won five states but could only gain 25 per cent of the ballot in a sixth—and the entire half dozen were contiguous states in the south-west.

However, the NPN did not manage to secure an overall majority in the federal Parliament. It won 36 seats in the senate to 28 for the UPN, 16 for the NPP, eight for the GNPP and seven for the PRP. In the House of Representatives it gained 168 to 111 for the UPN, 78 for the NPP, 49 for the PRP and 43 for the GNPP. (These figures, like all others in this article, are preliminary and subject to minor alteration, depending on the result of election tribunal appeals.)

The election produced one major anomaly. Kaduna state elected a Governor belonging to the PRP but a House of Assembly in which the NPN had a large majority, holding 64 seats to the 35 obtained by other parties combined.

In only one other state are the Governor and an overall majority of assemblymen not from the same party. That is Gongola, in the north-east, which elected a GNPP Governor and an assembly split as follows: 25 to GNPP, 18 to the UPN, 15 to the NPN, 4 to the NPP and 1 to the PRP.

Voting patterns during the five Saturdays of polling remained remarkably consistent, although there was a slight bandwagon effect in each state in favour of the party which did best there in the first ballot.



Voting was also remarkable for the persistently low turnout. Only 26 per cent of registered voters cast ballots in the first poll, for the federal senate, and a mere 35 per cent in the final, Presidential election.

No one map can do complete justice to the complexity of the election results, but the one printed with this article, showing the party which polled the highest number of votes in each state assembly election, probably gives the best guide to each party's areas of strength.

Unless otherwise stated, the figures used in the following state-by-state analysis of election results refer to balloting for the local houses of assembly.

In the south west of the country, the major surprise was the solid backing shown for Chief Awolowo's UPN in the predominantly Yoruba states. Chief Awolowo has always been a man who arouses strong passions—against as well as for —and in the 1960s he faced strong competition in some parts of the West from the Nigerian National Democratic Party (NNDP). Former members of the NNDP now hold senior positions in the NPN, but they could not bring out the vote. The UPN swept the Yoruba heartland stakes of **Oyo** (117 seats to nine for the NPN), **Ondo** (65 to one NPN) and **Ogun** (where it took all 36 seats). For the first time in his political career, Chief Awolowo even won the votes of Ibadan, the capital city of Oyo.

The UPN also swept the board in **Lagos** state (36 seats to none for other parties), where in the 1960s it would have encountered competition from Dr. Azikiwe's old National Council of Nigerian Citizens (NCNC). In **Bendel**, which has a very mixed population, the UPN scored a narrower victory over the NPN, which suffered internal leadership problems during the campaign. (The UPN gained 34 seats to 22 for the NPN and four for the NPP.)

In the former Eastern region, Dr. Azikiwe's NPP predictably scored comfortable victories in the Ibo heartland states of **Imo and Anambra**. It did best in Imo (winning 79 seats to nine for the NPN and two for the GNPP), but the results both here and in Anambra (74 to the NPP to 12 for the NPN and one for the GNPP) seemed to show a degree of Ibo reserve about Dr. Azikiwe. The NPN did well to gather the support it did, particularly in Anambra, where its campaign played on demands for a separate Wawa state.

In the southern minority states of **Rivers** and **Cross Rivers**—once part of the Eastern region, governed by Dr. Azikiwe's NCNC—the NPP did not do so well, in considerable measure because of local resentment against the Ibos. The NPN, and, to a lesser extent, the GNPP, stepped into the breach. In Rivers the NPN won 26 seats to 15 for the NPP and one for the UPN, while in Cross Rivers the NPN won 58 to 16 for the GNPP, seven for the UPN and three for the NPP.

But it was the former Northern region which provided many of the most fascinating results. The NPN in the north —whatever its image elsewhere —was firmly regarded as the party of the Fulani-Hausa establishment as the direct descendant of the old NPC.

It was challenged by two other northern-based parties: the PRP of Mallam Aminu, widely regarded as a reincarnation of the Northern Elements Progressive Union (NEPU) which this intellectual reformist led in the 1950s and 1960s. Mallam Aminu had long been popular in his home city of Kano, but now he was trying to capture a wider following.

The other was the GNPP of Alhaji Waziri which, like all the parties, assumed different characters in different states. In Alhaji Waziri's home state of Borno, it had appeal as a Kanuri nationalist movement (similar to that of the Borno Youth Movement of the 1950s) pitted against longstanding Hausa-Fulani domination, supposedly represented by the NPN. In the Hausa-Fulani states themselves, notably Sokoto, it could appeal to dissident elements as a reformist organisation.

Faced with this twin challenge, the NPN had little trouble in taking the backwater states of **Niger** (winning 28 seats to two for the GNPP) and **Bauchi** (45 seats to nine for the GNPP, four for the NPP and two for the PRP).

Elsewhere, things were not so easy. It even faced a substantial challenge in **Sokoto**, Alhaji Shehu's home state, where the GNPP got in early at the grass-roots and gave the establishment a scare. In the end the state swung behind its son, with the NPN winning 92 seats to 19 for the GNPP.

The strong challenge presented to the NPN in **Kaduna**, where the PRP managed to win the Governorship, stemmed in part from rivalries between the state's two major emirates, Katsina and Zaria. The NPN was regarded as tilting towards Katsina, which lost it a lot of votes in Zaria, and it had the added problem of a controversial gubernatorial candidate.

The PRP did even better in **Kano**, where it projected its backing far beyond the ancient city walls and into the countryside, winning 123 seats to 11 for the NPN, three for the GNPP and one for the UPN. This result, perhaps more than any other, points up the changing face of northern Nigeria.

Economic growth, local government reforms and greater education have all played a part in breaking down the traditional loyalties which once held sway here. The people of Kano have now given a massive mandate to a party which has long campaigned against the Emirates system and for both women's rights and a form of socialism.

A different aspect of this fracturing of the northern power structure was seen in **Borno**, where the GNPP scored an easy victory (58 seats to 12 for the NPN and two for the PRP).

It also did best in the minorities state of **Gongola**, winning 25 seats to 18 for the UPN, 15 for the NPN, four for the NPP and one for the PRP.

Finally, the NPN and the NPP fought an exciting battle for the predominantly non-Moslem peoples of **Benue** and **Plateau**. In the event, Plateau swung behind the NPP, which won 35 seats to 10 for the NPN and three for the GNPP, largely because of the personality of Solomon Lar, the NPP gubernatorial candidate.

But it was Benue which provided one of the most fascinating contests of the entire election. In the 1950s and 1960s, this home of the Christian Tiv people had been the stronghold of the United Middle Belt Congress (UMBC), led by the young J. S. Tarka, who took a strong anti-NPC line.

For the 1979 elections, however, the now middle-aged Chief Tarka threw in his lot with the NPN, in spite of the former NPC men in its leadership. The question was whether he would be able to take his people with him in this turnround, or whether they would follow Paul Unongo, a young politician who had tried to take on Tarka's mantle.

In the event, age and experience triumphed, with the NPN winning 48 seats in Benue to six for the GNPP and none for the NPP.

M.D.

The new President

A cool approach

Alhaji Shehu Shagari, Nigeria's new President, is one of the country's most respected politicians and a man whose experience as a Federal Minister stretches back 20 years. A distinguished poet, he has held most of the key Federal Government portfolios including Finance.

A gentle soft-spoken man and a devout Moslem, he was chosen to be the Presidential candidate of the National Party of Nigeria (NPN) at a congress last December, defeating four other political heavyweights for the position.

He will bring to the new and extremely demanding job of executive President some important qualities, including a flair for administration. His long and broad experience of Government departments will stand him in good stead as he begins to exert Presidential control over Nigeria's tortuous bureaucracy. It will also have instilled into him a knowledge of the art of the possible.

Another important asset will be his cool and rational approach to problems and his refusal to be drawn into making rash promises which cannot be kept.

However, he has other qualities which could prove to be weaknesses in an executive President. He is not a great orator and lacks the charisma which could be useful in channelling the immense energy of Nigeria most constructively. He has frequently acknowledged that he did not intend to stand for President but was pressured into doing so. Although it is clear from his public appearances that he has been growing into the role of a leader, a question mark remains over the extent to which he will exert authority over the other political heavyweights in his party.

Born in Shagari village in Sokoto State in May, 1925, the new President began his career as a schoolteacher and took up politics in the early 1950s. The first of his ministerial appointments came in 1958, when he was briefly acting Federal Minister of Commerce and Industries. The following year he became the first Federal Minister of Economic Development.

Portfolios

Between then and the military coup of 1966, when he retired to his 400-acre farm in Shagari, Alhaji Shehu held the *federal portfolios* of Pensions, Internal Affairs, Health and Works. He returned to federal office in 1970, becoming Commissioner for Economic Development, Rehabilitation and Reconstruction, playing an important role in post civil war reconstruction.

The following year he became Commissioner of Finance in succession to Chief Obafemi Awolowo and held this position until just before the overthrow of General Gowon in 1975. During this time he became a Governor of the World Bank and the IMF. More recently he has served as chairman of the French automobile group Peugeot in Nigeria.

In conversation, one of the new President's most striking qualities is a thoughtful open-minded pragmatism. This came through strongly in a recent interview with the Financial Times when he expressed the following views.

On Rhodesia: "I do not want any intransigence from any group, including Britain, the Patriotic Front or others. All groups have to come together and iron out their difficulties. If Britain had looked at it objectively earlier, without bias, it would have been solved a long time ago."

Nigeria's Foreign Policy "Our foreign policy will be based of course on the interests of Nigeria and Africa and we are not going to limit our interests to the problems of Nigeria alone. Our interests extend far beyond the borders of Nigeria. We have interests in Africa and we consider the problems of Africa as our problems.

"But our radicalism will not extend to the point where Nigeria will just jump up and without consultation attack or defend any other country or try to put our own ideas or ideologies across to other people like the Socialist countries are wont to do. They want to spread their ideology even where it doesn't exist . . . we are not going to have any ideologies which we want to impose on other people —that's the kind of radicalism that I am not interested in."

Asked about pressures on his Government to grant wage increases, Alhaji Shehu replied: "It all depends on the state of the economy, whether it will take it or not. It is in the interests of the workers themselves to determine the situation of the economy to see if it will take another wage increase. The important thing, I think, is to allow for free bargaining between workers and employers and to make a deliberate effort to ease the problems of the worker with regard to his basic needs, like providing cheap food and doing something about high rents, and of course the question of easy transportation. These things are what worry the workers more than having a wage increase.

"I do not consider his getting more money immediately will solve his problem. What it will do is to encourage inflation. But we are going to examine what we can do without aggravating inflation."

Nigeria's new President, Alhaji Shehu Shagari, who takes over today as Head of State

FT—The civil service is often accused of inefficiency. Will you be trying to improve it?

Alhaji Shehu—I don't think our civil service is inefficient. *We have an efficient civil service* in my estimation. All you need to do is to give them more encouragement, get them more involved and put in more discipline. Once you do that efficiency is assured.

FT—Will you lift the import restrictions?

No, not unless it is necessary. Of course we will have to examine what is banned to see if there are good reasons for it. Others not so pressing we may relax. But it all depends on the economic situation.

FT—You have made the revitalisation of agriculture a cardinal point of your policies. How are you going to do that?

We want to diversify the economy by being less dependent on oil. It will take some time of course before agriculture takes off, but we want Nigeria to be really an agricultural country as it is supposed to be.

FT—Why do you think you can succeed where others have failed?

They forgot to lay down the necessary facilities for real agricultural expansion. What is important is to maka life in the rural areas more tolerable for those who stay on the farm. Why do people leave the rural areas? *It's because they can't* get jobs. . . .

They just won't stay there because they find life intolerable. No water for drinking, no electricity, no medical facilities, nothing. But when you make a real effort to provide these things, small as they are . . . people in rural areas are happy to stay there.

FT—You have said you would like to encourage foreign investment. What specifically are you going to do?

I cannot tell you the details but they are things generally known which we will intensify. We want to create an atmosphere of confidence for the investor coming into Nigeria. What entails confidence in the first place is stability. We will try to ensure stability and peace and we will try and create the incentives necessary *for investment in the way of* allowing tax incentives for various industries . . . allow for easy repatriation of profits . . . and try to create confidence in governmental policies . . . so that once we make a decision we will stick by it and not keep changing it from time to time.

FT—Would you relax the indigenisation laws?

I don't think this is what worries the investor. Nigerian participation is absolutely essential in most of these things. Whether you relax it or tighten it, *what the investor is really* interested in is that you keep to your word.

FT—Did you agree with the nationalisation of BP?

I don't know the full facts because I am not in government. But I feel that any company or organisation which defies the Government's policies or directives has to be dealt with in the proper manner. Whether what BP did was in defiance of the Government I am not in a position to know.

Mark Webster

The constitution

A focus for loyalty

WHEN THE Constitution Drafting Committee, under Chief Rotimi Williams, QC, was appointed by the Murtala Muhammed Government in 1975 to produce a draft constitution for civilian rule, few expected *that its central proposal would* be that Nigeria should have an "executive presidency." So deep, it was thought, were Nigeria's tribal and other differences that nobody would contemplate the disposal to a single man of such awesome power; for the President would "have to come from somewhere."

Nigerians were used to the idea of a "ceremonial" President, with a Prime Minister exercising real power. But the drafting committee, and later the Constituent Assembly, *decided that the apparent* separation of powers under the former system failed to offer Nigeria the focus of loyalty which an executive president could.

The chief executive, and his deputy, should also be directly elected by the people, it was argued, and not draw his authority from the legislature, and be free to draw his Ministers from outside the legislature. It was also argued that if the executive had a fixed term—in this case four years—the uncertainties caused by the constant possibility under the parliamentary system of a "dissolution" would be removed.

It is still not universally understood in Nigeria, even by all senior politicians, that the old system of "*government*" and "opposition" or of coalition governments has given way to that of "executive" and "legislature." But although the President's party, the NPN, has only 168 seats out of the 449 in the House of Representatives, with the other seats divided among four parties, there is no question of President Shagari sharing power with anybody. His problem will be to get his measures through the federal legislature, in course of which his party leaders will have to display considerable political skill.

Powerful

An institution which is new to Nigeria—but the importance of which will be immediately *apparent—is the powerful* 95-man federal Senate which, with the House of Representatives, forms the National Assembly. Each State has five Senators, so that Niger, with some 1½m people, is as strongly represented as Kano with five times that population. Before 1966 Nigeria's Senate was almost powerless.

The new Senate has equal legislative competence with the Lower House. But it alone is empowered to approve or reject a number of presidential appointments, notably those of federal Ministers, the *federal* Chief Justice, and the Auditor-General. Since the NPN has only 36 Senators, this gives the other parties considerable influence in the formation of the administration.

Each House of the National Assembly also has considerable powers of investigation which, it is generally believed, will be particularly exercised by the Senate.

The constitution provides a mechanism for the passage of financial Bills in the event of disputes between the President and the legislature, or between the two chambers. It also provides for the passage of other Bills in the event of dispute between the President and the legislature. But it does not appear to provide a mechanism for disputes between the two chambers in the case of non-money Bills.

State Governors and their deputies are also directly elected. Governors choose their Ministers, called commissioners, from outside the State Houses of Assembly, which must confirm the appointments. As at *the federal level legislation* approved by the State legislature enters into force even if not approved by the executive, provided it has the support of a two-thirds majority and 30 days has elapsed.

There is no second house in the States. The constitution offers only a minor advisory role to chiefs, through membership of the Council of State which advises the President on various matters, and the State Houses of Chiefs which advise on traditional and chieftainly matters, but may also advise them on matters of law and order.

Some Nigerians feel that the chiefs, who in many areas remain influential and are expected to play a conciliatory role *when public order* is threatened, should be given some executive power. But those who prepared the constitution and planned the new local government system main*tain that* if chiefs were given an executive role at any level they would be drawn into party politics and so lose the respect

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The states

A changing pattern

RELATIONS BETWEEN the new Federal Government and the administrations of Nigeria's 19 states will be one of the most important and fascinating aspects ofthe return to civilian rule. For the make-up of the Nigerian federation and the balance of power between the centre and the states has changed dramatically during the 13½ years of military rule and is now about to change again.

At the time of the 1966 military intervention. Nigeria was made up of four powerful regions. In 1967 the Gowon Government divided these into 12 states and in 1978 the 12 states were further sub-divided into 19. This process naturally enhanced the power of the centre, a development intensified by the growth of the oil industry, which placed great financial power in the hands of the federal authorities.

In addition to these centralising factors, Nigeria has been in effect a unitary state for most of the 13½ years of military rule, since no military regime can tolerate the division of power which fedalism means.

Indeed, during the first months of military rule in 1966 General Aguiyi-Ironsi accepted insentitive advice to abolish the regions and formally establish a unitary Government. This was short-lived but contributed to his downfall.

The succeeding Gowon military regime allowed considerable decentralisation, even devolution, to the 12 states which it created out of the regions in 1967 on the eve of the civil war. The apparent immunity from control by Lagos which the military governors of these states enjoyed in the later years of the Gowon regime fostered the idea that Nigeria was still a federation.

The Murtala Muhammed Government ended this illusion in 1975 by making it clear that state military governors—and this was true of the "military administrators" who followed them—were armed forces officers temporarily posted to state capitals, responsible only to the Chief of Staff, Supreme Headquarters, and liable to instant re-posting or recall. But in fact since the army intervention on January 15, 1966, the Federal Military Goverment (FMG) had always been in a position to over-ride a state government.

Under the new constitution the President has no such power as the FMG has exercised over the state administrations. Relations between the civilian Federal Government and the states could be one source of strain for the new Administration.

To understand how Nigeria has come to have 19 states it is necessary to go back to before 1966 when the country was a federation of an unusual, unbalanced kind. One region, the north, covered well over half the country's area, and contanied half its population. Since the Northern People's Congress (NPC) had from the start dominated the northern region, politicians in the southern regions assumed naturally, if without any long term assessment, that therefore the NPC, senior partner in federal coalitions since ministerial government began, would dominate the federation politically in perpetuity. Much of the pre-1966 tension sprang from this assumption.

Divided

When the regions were divided into 12 states in 1967, six were formed out of the northern region and six out of the southern regions, thus preserving a "north-south" balance. But the balance was illusory. Two of the northern states, among whose peoples there had been a powerful demand, supported by southern-based parties, to break away from the predominantly Muslim northern region, were largely non-Muslim. Two of the three states formed out of the eastern region separated the non-Ibo people from the dominant Ibos of the region. The mid-west region simply became a state, and although small areas were excised to make Lagos capital territory into a state, the western region's status was similarly unchanged.

This division, however, threw into relief yet further differences among groups forming the new states. Demands for further division of the new states were widespread. When it took over in 1975, the Murtala Muhammed Government set up a panel to examine the strength of these demands. The result was the creation of seven new states, while all state boundaries were revised.

Creation first of 12 and then of 19 states strained Nigeria's administrative resources and increased the cost of government. It is said, on the other hand, to have brought this level of government, which for most citizens is highly important "nearer to the people" and to have inspired development in previously neglected areas—even if at first much of the development consisted of building offices, etc., at new state capitals. But politically the division of the old regions, it is maintained, has for ever ended the "imbalance" which made the system unworkable before 1966.

Many states have populations much greater than those of several independent countries—Kano alone has a population of over 10m. And the demand for new states is far from satisfied, although Nigeria can afford few more. But for politicians a new state, with yet more political jobs, and the equal representation in the Senate which all states enjoy, is attractive.

The Federal Military Government banned any agitation for more states after it had increased the number to 19. Their creation was not a major issue in the election campaign and the new constitution makes the creation of new states very difficult because of the intentionally Byzantine procedure it enjoins. But at least two more seem likely to be created.

Even if the break-up of the former powerful regions had not increased the strength of the Lagos government, and if there had been no military rule, the Federal Government's position vis-a-vis that of the regional governments could have been transformed by one development—the growth of oil production. Even the earlier emphasis in the division of revenues between the Federal and the Regional governments on the principle of "derivation"—that states should benefit in proportin to the revenue engendered inside their borders—would have strengthened Lagos against the North, where there is no oil. But oil revenues, now by far the most important source of public funds, have come increasingly under exclusive federal control. And now not a single state can be said to have any fiscal independence.

Nonetheless, until the current financial year state governments have shown astonishing financial indiscipline—budgeting for deficits which they were confident the Federal Government would meet. Under the statutory system of allocation of federally collected revenue they are entitled to funds which often exceed half their estimated revenues. But they also receive ad hoc, particularly for education and agriculture, other grants which raise the federal contribution to their revenues to 80 per cent or more. In addition they benefit from federal loans. The have improved their own capacity to raise revenue, but all are financial dependents of the Federal Government.

That Government, however, has inadequate machinery, and no constitutional power, to supervise state expenditure of federally received funds. And a State Governor is now elected by the state's citizens. Eleven belong to parties different from that of the President. They include the Governor of Lagos State—one reason, perhaps, why the new administration will hasten the move of the federal capital to Abuja. The President's relations with these Governors will be one of the most interesting features of the new regime.

Discipline

Except for the party discipline which could, with difficulty, be exercised against recalcitrant Governors of his own political persuasion, the President has no apparent sanction against a Governor who pursues policies which the Federal Government believes to be endangering the Federation's finances or stability. Governors and their administrations are subject to constitutional and judicial restraints. But in states where a single party monopolises power these might operate imperfectly. In its provisions concerning the declaration by the President of a State of Emergency in the Federation or any part of it, the constitution implies that co-operation between President and the Governors can be expected — although the President can declare a State of Emergency in a state if in the President's view, the Governor has failed "within a reasonable time" to ask him to do so when a declaration seems necessary.

There are in fact few matters in which state legislation can prevail over federal wishes. The constitution's "exclusive" legislative list of matters reserved to the Federal Government includes not only the management of external relations and such matters as the currency and major commercial activities, but also police, regulation of political parties and the promotion and enforcement of "the fundamental objectives and directive principles" of the constitution. The "concurrent" list of matters in which, officially at least, the federal view would prevail includes power generation, "indigenisation" of commerce and industry, university and certain other types of post-primary education. But all other education, and any matters not included in the two lists, are the exclusive concern of the states, while it would be difficult to override them in matters such as agriculture.

In the last resort the President can restrict non-statutory funds allocated to a state or direct the location of institutions or industries to its disadvantage. Any Governor concerned with his state's welfare would seek to avoid a clash with the Federal Government which might lead to such action.

In general the President would not wish to prevent a Governor carrying out a policy for which his state itself could raise the funds, even if, for example, the provision of entirely free education at all levels or the provision of housing for certain groups seemed to conflict with the principle of "even development." Trouble could arise, however, if a Governor adopted a policy which, in the President's view, his state could not finance, or would require taxation so heavy as to cause unrest.

There is in short no presidential sanction against the folly or incompetence of a Governor. But then the citizens of the state and their elected representatives will learn to apply their own sanctions.

David Williams

Villagers at an NPN election rally in Anambra State

Loyalty

CONTINUED FROM PREVIOUS PAGE

which they enjoy.

The constitution contains provisions of a "social" nature but does not, as some members of the Rotimi-Williams committee wanted, declare Nigeria to be a "socialist" State. It provides for universal free education—but only when this is financially possible. It lays great emphasis on national unity and the need, in making public appointments, to have regard to the federal character of the country—even State Governors are enjoined to "recognise the diversity of the peoples" within their States when making appointments.

A long list of "fundamental rights," ranging from the right of association to the right to remain silent after arrest, is included in the constitution. Any citizen may apply to a High Court for redress if he considers that these provisions are being contravened. There are no provisions specifically covering the Press, as many wanted.

The courts also have the difficult task of interpreting the constitution and adjudicating in disputes between the Federation and a State or among States. To allow for the hearing of appeals from the Sharia and customary courts, which deal with the great majority of civil cases in Nigeria, the Supreme Court and the Federal Court of Appeal must include justices learned in Islamic personal law and in customary law.

Another new feature of the constitution is the power of supervision over political parties given to the Federal Electoral Commission (FEDECO), a body whose chairman is appointed by the President, subject to confirmation by the Senate, and which, as well as five members appointed individually, has a representative from each of the States. To be allowed to participate in elections parties must be registered by FEDECO. To be registered they must satisfy FEDECO of their genuinely national character — the tests include the composition of their governing bodies, the opening of membership to all citizens without exception and the absence of any particularist appeal in their programmes, emblems, names or mottoes.

FEDECO can audit in detail the accounts of parties, and it is the agent which distributes to them official funds to assist them in conducting elections, an innovation intended to avoid the previous dependence of Nigerian parties on rich individuals. Some N2.5m was distributed this time.

The restrictive provisions of the Constitution about parties are intended to avoid the tribalism and regionalism which affected Nigerian politics before 1966. Such provisions can obviously be circumvented; support given in the recent elections to all parties except the NPN was very localised. The Electoral Commission did, however, disqualify a number of political associations before the election.

Nigerians still say that the breakdown of civilian rule before 1966 was the fault not of a defective constitution but of the politicians who ruled under it. But the new constitution, with its emphasis on national unity, its use of the executive president as a focus of loyalty, and its safeguards, seems to be a better vehicle for Nigerian politics than was the former. Perhaps nothing in the constitution is as important for Nigeria's political health as the division of the country into 19 States and the sense of national identity which has grown up under the military regimes.

But the constitution, worked out entirely by Nigerians, even if borrowing, as any constitution must, from other countries, cannot be accused, as the former civilian constitution was, of being an automatic reflection of British influence. Nigerians have now made their own constitutional bed. They must now prove that it fits them.

David Williams

The military

Cutbacks continue

AN 800-MAN Nigerian peace-keeping force was flown into the Chad capital of N'Djamena earlier this year to help halt a wave of violence between the country's warring factions.

The move pointed up not only Nigeria's diplomatic importance in Africa, but its military muscle compared to other black African states. It has the largest standing army in sub-Saharan Africa and the second biggest on the continent, after that of Egypt.

However, it is generally acknowledged that the Nigerian army is too large for the country's economic health. In the current financial year, for example, the Ministry of Defence accounts for N520m of the recurrent budget (18 per cent of the total) and N602m of the capital budget (around 10 per cent) and these figures are significantly lower than those for 1978-79.

The size of the army stems from the civil war of 1967-70, when the federal forces rose from less than 20,000 men before the outbreak of hostilities to around 250,000 at the end. Efforts to demobilise afterwards met with only limited success, partly because of opposition within the armed forces themselves.

However, the demobilisation plans were revived a couple of years ago and have been discreetly put into effect, with considerable success. The precise size of the army is an official secret, but it is now estimated to number less than 150,000 men. The plan appears to be to reduce it still further, to about 100,000-120,000, or even less.

The aim of the outgoing Chief of Army Staff, Lieut-General Theophilus Danjuma, has long been to get a slimmer, more efficient army, properly housed in barracks, where it is easier to enforce discipline. (General Danjuma is retiring from the army with the handover to civilians, and he is being succeeded by Major General Alani Akinrinade, commander of the First Division.)

Given the sensitivity of the demobilisation plans — the attempted coup of February 1976 was due in part to dissatisfaction over an earlier scheme — General Danjuma's programme has been conducted with impressive despatch.

Some of those stood down have been disabled men, while others have been old enough to be retired. A significant number have been retrained for work in the police and customs, while others have gone through resettlement centres. These give soldiers a six-month retraining course, mainly in rural crafts, to adapt them to civilian life.

Most of the soldiers remaining in the army are now housed in the barracks which have sprung up outside many Nigerian cities over the past few years. The barracks building programme is near completion (although N15m is earmarked for it in the current budget) and could eventually provide accommodation for around 120,000 troops. The total cost may be in excess of N1bn.

Since the army leadership so strongly backs the demobilisation programme, there seems no grounds here for a conflict between the military and the incoming civilian administration, which would in any case be courting trouble if it tried to cut the size of the force below the strength which the military leadership considers necessary.

But why should the army be planning to halt demobilisation at around 100,000 men? What strategic reasons are there for the country to maintain this still huge force?

The answer Nigeria's military leaders would probably give is that while no neighbouring state poses any military threat, the country's role of leadership in black Africa demands that it has a powerful defence force. Furthermore, they would say that Nigeria must prepare itself for a possible confrontation with apartheid South Africa, which may have a smaller army but is extremely well equipped.

Nigeria's army still lacks sophisticated equipment. For example, its armoured capacity is still limited to British-built Scorpions, although there are signs that it will shortly be acquiring some tanks: the small, 10,000-man navy is about to take delivery of two German-built vessels specifically designed to carry tanks.

Funds

The air force, which is equipped with MIG 21s, is also considering updating its fighter capability, although shortage of funds seems likely to delay this for sometime. It recently signed for the purchase of 12 French-German Alphajet trainers, which should be delivered in about two years' time, and it is also looking into a major scheme for an air defence system.

The MIGs were acquired under the Gowon Government during the civil war when the Soviets agreed to supply the federal side with aircraft while its traditional western suppliers placed an embargo on Lagos.

A Soviet assistance group provides a training programme for Nigerian pilots and maintains the jets. However, recent rumblings suggest the Nigerians are not entirely happy with the service provided, particularly when it comes to the provision of spares. A collision last year between one of the MIGs (with a Soviet instructor and Nigerian pilot aboard) and a civilian aircraft outside Kano cannot have improved matters.

However, Nigeria is catholic in its military links. Large numbers of officers are now being sent to the U.S. for training. Indian officers are assisting in Nigeria itself with artillery, ordnance and medical training, and some are also attached to the navy. British officers are assisting at the Army Command and Staff College, Jaji, near Kaduna, where they have been joined more recently by Royal Air Force instructors. There are also British officers at the Nigerian School of Infantry.

The return to barracks is bound to be a difficult experience for the military. After 13 years in Government, the officer corps, if not the other ranks, have been deeply politicised. Many have tasted the fruits of power and will have found it to their liking.

There can be no doubting the sincere desire of the present military leadership to see the army back in barracks. Their four-year civilian rule programme has run like clockwork, and they have made special efforts to prepare soldiers for the change: briefings have been conducted at barracks around the country explaining what the relationship will be between the new Government and the civilians. Some retired officers who served under the previous civilian administration were even conjured up to deliver their reminiscences of army-state relations.

Under Nigeria's new constitution, the President is commander in chief of the armed forces. On paper, the role of the military in Government is limited to membership of advisory bodies. The National Defence Council, which advises the President on defence matters, includes the chief of defence staff and the heads of the three services. The National Security Council includes the Chief of Defence Staff, the Inspector General of Police and the head of the secret police, the Nigerian Security Organisation (NSO).

But there must be a real possibility that another generation of soldiers will stage a coup if the present civilian Government does not manage to maintain stability or acts contrary to what is seen as the army's best interests.

For the immediate future, a more pressing problem than the relationship between army and Government under civilian rule is that between the army and the police.

The Nigerian police force is seriously undermanned. It is estimated this year to comprise just 77,000 men for a population of 80m to 100m spread over a vast country. Furthermore, its transport and communications equipment is poor and compares unfavourably with that of the army. All this means that it is ill-fitted to act as the strong arm of the Government. In the event of a serious outbreak of civil unrest, the army would have to be called on to the streets in force.

Perhaps one of the early questions for the new civilian Government to decide will be whether it wishes to remain so dependent on the military or whether it should instead place greater emphasis on building up a strong police force.

M.D.

Trade unions

Important changes

ONE INFLUENTIAL group of Nigerians who purposely avoided any role in the elections were the trade union officials. For the Nigerian Labour Congress (NLC), which was established formally in February last year, shortly before the ban on politics was lifted, had decided than no union should sponsor candidates or support any party, and that any union official who wanted to stand should resign —as a small number did.

The decision was taken not because the leaders see the unions as non-political bodies, but because they believe that in the past politicians used the weak and divided unions for political advantage and destroyed them as instruments for advancing workers' interests. A united movement free of political ties will be better able, they declare, to fight for its followers; above all, in a country where the Government is by far the most important employer and sets the pace in wage awards, the unions must be free of any commitment to Government leaders. And there is no doubt that the unions relations with their own workers, as well as with the NLC nationally, will be one of the earliest concerns of the new civilian Government.

No Nigerian constitution has changed more—outwardly at least—since 1966 than the trade unions. And, although the period of military rule has been far from free of "industrial action," this has technically been illegal for 13½ years.

Employers must now be prepared to deal with unions whose leaders, although moderate and responsible men, must establish their credentials in the eyes of their members as soon as "free collective bargaining" becomes the rule after years of "wage-freeze." And for the most part they will be very different unions from those which Nigeria knew before 1966.

There were effective unions in the past, notably the Railway Workers Union. There have been general strikes which, after commissions of inquiry, seemed to produce some benefits for wage earners. But trade unionism in Nigeria has been cursed by three problems. There was disunity and rivalry among national groupings (usually associated with different union centres overseas). There was the multiplication of small and feeble unions at plant level—there were over 1,000 unions in 1975. And there was corruption among the union officials.

As late as 1975 there were four feuding central labour organisations in Nigeria. In that year the Murtala Muhammed military Government sponsored a single national organisation, the Nigerian Labour Congress (NLC). Unhappily this did not long survive, and the military Government then set about in earnest to reorganise the trade union movement.

The result was the establishment in 1978 of a "manageable" number of "industrial" unions, organising workers not in accordance with their plants or localities, but according to their activities—for example, a Nigerian Union of Construction and Civil Engineering Workers. The reorganisation was inevitably imperfect in many ways, some workers finding themselves grouped with others with whom they felt little affinity. But by February, 1978, leaders of 42 industrial unions met to found a new Nigerian Labour Congress, which was formally recognised by the Government as the only national trade union body, and was later given a Government grant of N1m to help it on its way.

The NLC, in contrast to earlier national trade union "centres," has, under general secretary, Alhaji Aliyu Dangiwa, a well-qualified full-time staff, all recruited in open competition. It is intended to appoint a full-time NLC secretary in each state.

The NLC's President, who has a three-year term and is elected by affiliated unions, is also virtually full-time. He is now Mr. Hassan Sunmonu, of the Civil Service Technical Workers Union.

The NLC is financed by subscriptions collected from members of affiliated unions by a "check-off" system. The subscription is only 10 kobo a month and workers can "contract-out." But it is enthusiastically estimated by NLC officials that the potential membership, because of the growth of industry and of Government services, could be as high as 4m—which would mean a revenue of some N5m.

There is no "closed shop," but employers are obliged to recognise a union which is designated to cover their enterprise. The NLC is allowed to affiliate outside Nigeria only to an African body—the All-African Trade Union Federation. Neither it nor its affiliated unions are prevented from attending any appropriate international gathering as "fraternal delegates." It is expected, too, that the UN's International Labour Office will help the NLC

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The recently formed Nigerian Labour Congress represents over 40 industrial trade unions. The NLC's major preoccupation in the first months of civilian rule will be to seek pay increases to compensate the labour force for some of the ravages of inflation

Foreign policy

New dynamism

A NEW dynamism has been injected into Nigeria's foreign policy in recent years by the outgoing military Government—a dynamism which has given the country a major leadership role in Africa and, indeed, in the Third World.

This process has not involved any real change in the principles underlying Nigeria's foreign policy. These have long been to foster African unity through economic and political co-operation; to take a stance of strict non-alignment between East and West; and vigorously to oppose white minority rule in Southern Africa.

What has changed is the zeal with which Nigeria is prepared to pursue these objectives.

This stems partially from the reforming spirit of the Murtala Mohammed/Obasanjo Government, which overthrew the Gowon regime in 1975, but it can also be seen as a natural corollary of the wealth generated by the 1973-74 oil boom. Nigeria, the economic giant of Africa, had gained sufficient self-confidence to emerge as the diplomatic giant of the continent.

The strength of its diplomatic muscle, and the extent to which it will use it, have never been displayed more clearly than in 1979, a year marked by a far greater use than before of oil as a weapon.

One example is the nationalisation of British Petroleum's assets, ostensibly because of the nature of the company's trade with South Africa, although many people saw the move as a warning to Britain not to recognise the Muzorewa Government in Salisbury.

However, Nigeria has also twice used the oil weapon this year in a West African context. It virtually cut off Ghana's supplies in protest against the execution of former military leaders by the Rawlings Government, and it also halted supplies to Chad to show its disapproval of the actions of the transitional Government there.

His Excellency Alhaji S. U. Yolah, the new High Commissioner for Nigeria in the UK

Dangers

Such a high diplomatic profile has dangers as well as rewards. One problem is that it can easily breed resentment from smaller states who feel Nigeria is "throwing its weight around" too much. Another is that it requires of Nigeria's foreign policy machine a degree of subtlety and nimbleness which it has sometimes seemed to lack.

For example, Nigeria stirred up considerable dissatisfaction at the last Organisation of African Unity (OAU) summit in Monrovia by the manner in which it tried to impose its views on other delegations.

Again, at the Commonwealth Conference in Lusaka in August, the Nigerian delegation, which had come expecting a major row, did not seem able to adjust quickly to the mood of compromise which rapidly enveloped the summit.

This lack of diplomatic finesse is, perhaps, a quality particular to a military Government which is used to giving orders and seeing them obeyed. The new civilian Government seems likely to adopt a more subtle approach.

That, however, is not to say that its policies will be any the less forceful than those pursued by General Obasanjo. President Shehu has already made clear he intends to follow broadly the same line. The new administration may well find it expedient to prove its credentials by taking an even tougher foreign policy line than its predecessor, particularly on Southern Africa.

The most immediate concern of the new Government, as of every Nigerian administration, will be to remain on good terms with neighbouring states, all of which are former French colonies. In this respect, the only problem area at the moment is Chad, whose lengthy and multi-sided civil war finally engulfed the capital, N'Djamena earlier this year.

Nigeria has played a key role in trying to put the country back together again. For a time, it even had an 800-man peacekeeping force stationed in N'Djamena and, as noted above, it was prepared to use the oil weapon as part of a settlement bid. Four sessions of round-table talks on Chad have been convened in Nigeria since March, and the last session, in August, produced a peace agreement. Although it is far from clear that this will hold, the very fact that Nigeria squeezed the pact from the bewildering array of Chadian factions is a major triumph for the outgoing Government.

Apart from the use of the oil weapon against Ghana, Nigeria's relations with West African states are cordial, even though smaller countries remain concerned lest their giant neighbour swamp them, both economically and politically. Nigeria has played a key role in the formation of the embryo Economic Community of West African States (ECOWAS), which has its headquarters in Lagos, and was also prominent in negotiations for the first Lome convention with the EEC.

In a pan-African context, the last few years have seen Nigeria emerge as one of the major mediating forces for the many conflicts which afflict the continent. The most recent example is Chad, but it was also active earlier this year in efforts to secure a Uganda-Tanzania ceasefire, and in 1977-78 to produce a rapprochement between Zaire and Angola in the wake of the Shaba invasion.

Apart from a general desire for unity, two principles are fundamental to its relations with other African states.

The first, which stems from Nigeria's own traumatic experience of secession, is that the frontiers of African states are inviolable and that there must be no intervention in the affairs of one country by another. This attitude led to a major clash at this year's OAU meeting between Nigeria and Tanzania over the latter's invasion of Uganda to overthrow Idi Amin.

The second principle is Nigeria's whole-hearted commitment to non-alignment and its opposition to outside military interference in Africa. The intervention of a pan-African force, largely organised by France, in Zaire's Shaba province last year still smarts with General Obasanjo.

At last July's OAU summit he backed a call for the formation of a pan-African military force, declaring that if this had existed before. "Africa would not have seen the humiliation of extra-African powers organising a neo-colonial pan-African force to protect foreign interests in our continent."

But in a remarkable speech at the 1978 OAU summit, in Khartoum, General Obasanjo made clear that it was not merely Western intervention about which he was concerned.

"To the Soviets and their friends," he declared, "I should like to say that having been invited to Africa in order to assist in the liberation struggle, they should not overstay their welcome. Africa is not about to throw off one colonial yoke for another."

Issue

However, if one foreign policy issue can be singled out as the most overriding concern of the Obasanjo Government, it has been the eradication of racialism in Southern Africa. It is a concern which the West has not only had to acknowledge, but has been keen to harness in its own efforts to reach international settlements in Rhodesia and Namibia.

Nigeria was consulted at all key stages of the Anglo-American plan for Rhodesia which was put forward in 1977 by Britain's Labour Government. It also played a courageous, though ultimately abortive, role in trying to arrange secret negotiations between the Salisbury Government and the Patriotic Front in August last year.

However, the Nigerians became increasingly disillusioned with Labour's inability to implement its proposals. Relations with the UK over Rhodesia then took a nosedive this year with the election of a Conservative Government. Nigeria, in common with much of British public opinion, believed that Mrs. Thatcher favoured creeping recognition for the Muzorewa Government in Salisbury, which Lagos condemns as a white puppet regime.

In a warning shot across the British bows, the Government first indicated that it would not consider UK tenders for major public sector contracts until Mrs. Thatcher clarified her Rhodesia policy. Then, on the eve of the Commonwealth conference, came the nationalisation of BP, ostensibly because the company was involved in a "swap arrangement" under which North Sea oil went to Europe in exchange for an equivalent quantity of non-embargoed crude from a third country going to South Africa.

Whatever the precise cause of the action against BP, it points up Nigeria's determination to show that it can "bite as well as bark" in pursuance of its Southern Africa policy.

One of the first indications of its much tougher line came in August, 1977, at the world anti-apartheid conference in Lagos. General Obasanjo attacked multinational companies for contributing to the "evil machinations of apartheid" and said that concerns involved in both Nigeria and South Africa must choose between the two.

To date, Nigeria has shown considerable pragmatism in implementing this policy. Clearly, it does not want to inflict serious damage on its own economy. Nevertheless, it demonstrated the seriousness of its intentions last year when it withdrew Government accounts from Barclays Bank because of public statement by that company of its attitude towards South Africa.

Britain, because of its colonial heritage in southern Africa, finds itself particularly exposed to Nigerian wrath. Lagos has long felt London has not done enough to solve the Rhodesia issue, and the size of UK investments in South Africa also rankles.

On top of this, Britain's colonial ties with Nigeria itself are a double-edged legacy. On the one hand, it has produced strong bonds between tens of thousands of individuals in the two countries. More Nigerians are being educated in Britain now than ever before and many members of the elite regard London as a second home.

On the other hand, the very closeness of the relationship—and Nigerian sensitivity to anything which smacks of "colonialism"—means that Britain always runs the risk of being cast as a whipping-boy.

The problems of such a close relationship were amply demonstrated in 1976 when Murtala Mohammed, the Head of State, was assassinated in an abortive coup attempt. Lt. Col. Dimka, one of the plotters, tried to send a message via the British High Commission to General Gowon, the former head of state who was in exile in England. He was turned away from the High Commission but Britain was somehow linked in people's minds with the coup attempt. Anglo-Nigerian relations then sunk to a low ebb, from which they had just recovered when Mrs. Thatcher came to power.

Her brash pre-election pronouncements on African affairs had already alienated many Nigerians, and her early comments as Prime Minister on the Rhodesia question serously soured relations. However, the combination of a more cautious British policy on Rhodesia and a new Government in Lagos may mean that the worst is past.

Nigeria has just posted a new High Commissioner to London, Alhaji S. U. Yolah, following four years during which a Deputy High Commissioner was Lagos' most senior official in London. The hiatus seems to have been due largely to problems of finding the right man for the job, but the new appointment could be a good omen for future relations.

The U.S., in contrast to Britain, is enjoying remarkably good relations with Nigeria—a far cry from the serious rift between the two countries which stemmed from Henry Kissinger's high-handed attitude during the 1975/76 Angolan civil war. The main reason for the change is the much more sensitive policy towards black Africa pursued by the Carter administration. A key role has been played in this by Mr. Andrew Young, the outgoing U.S. Ambassador to the UN. American officials believe that his resignation from the UN will not adversely affect relations, particularly since he has pledged his continued support for Mr. Carter.

The improved relationship has been underpinned by better communications between the two states at all levels. President Carter and General Obasanjo have visited each other's country: groups of experts from both nations have held a series of four meetings on improved co-operation; and more and more Nigerians are going to the U.S. for training.

M.D.

Changes

CONTINUED FROM PREVIOUS PAGE

to establish the training institution for union officials which is envisaged, a research body to assist unions in making their case to employers and the NLC's industrial relations machinery.

So a totally new trade union organisation—at least at the top—is ready to face employers after October 1. The military regime hoped that the trade union re-organisation which it sponsored would produce "responsible" unions. It probably has. But the long wage-freeze and the ravages of inflation require even responsible union leaders to make spectacular wage demands if their members' standard of living is even to be maintained.

In the election all Presidential candidates showed their awareness of this—Chief Awolowo went so far as to promise a minimum wage of N200 a month, which is far above the prevailing average.

In Nigeria, however, to an even greater degree than in most other countries, wage increases tend immediately to be translated into higher prices which more than cancel out the wage increases. The Federal Military Government, therefore, has urged employers to improve their workers' rewards in kind rather than in money—medical facilities, transport to work, school fees, subsidised meals, etc.

This point was underlined by the President-elect, Alhaji Shehu Shagari, in interviews after the election when he was asked whether he would end the wage freeze. Only if money wage increases did not aggravate inflation, he said, would his Government be happy to allow them. Lower food prices would help workers far more than higher wages.

Strength

Well before the return to civilian rule the new trade union organisation tested its strength in an encounter with the Federal Military Government. The measures introduced in the April Federal Budget both increased the prices of various commodities and caused unemployment in enterprises affected by the new restrictions. Changes in vehicle allowances also affected thousands who need private vehicles to go to work. Some NLC leaders openly supported the budget, saying that it was essential for Nigeria's economic health. But others—and it proved that they were the more representative — attacked the budget, and an NLC meeting in May went so far as to give an "ultimatum" to the Government.

Under this ultimatum the wage freeze would be ended, vehicle loans and allowances would be restored, trade union freedom would be unrestricted and housing allowances for workers would be authorised. The Government reacted, in general, diplomatically and the NLC demands were met in part. But the NLC has since prepared what it calls a Charter of Demands to be presented to the new civilian Government. Its content can easily be guessed. At its centre must be a demand that wages should be increased to reflect the inflation which has made life intolerable for tens of thousands of urban workers whose wages have been "frozen."

D.W.

Nigeria's oil production has risen sharply during the past year and the oil sector's development plans have been unaffected by the need to reduce spending which has hit other industries

Oil

Turbulent year

NIGERIA'S OIL industry has been through an extraordinarily turbulent 12 months. OPEC price rises and record levels of production during the first half of this year mean that revenues could be up 50 per cent on last year's depressed returns. In addition, the Government nationalised British Petroleum's Nigerian interests, upped its equity stake in foreign operating companies by 5 per cent, and offered a substantial new acreage for exploration.

Production gradually crept up from the low in March 1978 of 1.512m barrels a day (b/d) until it crossed the 2.4m b/d threshold in January this year. The March 1979 offtake was a staggering 60 per cent increase on the same month the year before, amply demonstrating the rapid improvement in the country's oil fortunes. Then the Nigerian National Petroleum Corporation (NNPC) ordered a reduction in the production level for "technical reasons" from August and production is now expected to stabilise at around 2.2m b/d.

As production rose, more and more of the extra oil going to the NNPC was sold to third-party customers in line with the Nigerian policy of diversifying its sales among as many companies as possible. The Government has abandoned its policy of allowing the operating companies a special price for the crude they bought under buy-back agreements. Maj.Gen. Shehu Yar'Adua, Chief of Staff at the Supreme Headquarters, went further by saying recently that he would like to see the number of oil companies operating in Nigeria treble.

Exploration

That policy certainly appears to have been applied with the latest offer of acreage for exploration. A number of new companies have been urged to bid for the big new offshore and onshore sites. But there has been another significant shift in Government policy concerning future exploration. The new acreage is being offered on a costs-plus basis, so that if the oil companies find oil they will be allowed to recover their cost plus a certain profit margin fixed by the Government. Oil industry experts say it is obvious there will have to be a lot more discussion about the size of that margin.

But the experts add that the new policy represents the renewal of confidence by the Nigerians in their handling of the oil market. That confidence took a severe battering last year during the plummet in demand for Nigeria's oil. An insensitive pricing policy meant that Nigeria's high quality low-sulphur light crude was offered at a price above its competitors at a time when the market had a glut of light crudes.

As a result, the Government had to lower the price of its Bonny Light marker crude from a peak of $14.61 to $14.10 and lowered its other crudes by the same margin before its sales started to take off again. Then the Iranian crisis threw the whole market into disarray and a queue of customers began to form at Nigeria's door. Many of the third party customers which had allowed their contracts with Nigeria to terminate during the glut now signed new agreements, along with a number of new faces.

Then in June, the Government announced its decision to increase its equity participation in all the operating companies in joint ventures with the NNPC by 5 per cent. The move was largely a tidying up gesture by the outgoing military Government, which brought the oil companies in line with many other foreign companies which had a 60 per cent Nigerian participation. But it was also regarded as a piece of opportunism by the Government at a time when the market was buoyant and the extra 5 per cent equity crude would easily be placed.

While negotiations were still progressing on the increased equity stake the Government dropped its bombshell with the nationalisation of British Petroleum's Nigerian interests. With immediate effect the Government said it was taking over BP's remaining 20 per cent in the Shell-BP petroleum development company and its 40 per cent stake in BP (Nigeria), the products marketing company. Two expatriate staff with BP were ordered to leave.

Although there were predictable howls of outrage from Britain, the move was by no means unexpected, although its timing caught many people off guard. BP had already brushed with the Nigerian Government twice over the extremely sensitive issue of contacts with South Africa. Earlier in the year, a tanker from one of the other oil companies had come to collect oil from Nigeria, and after reports that it was carrying armed Israelis the Government sent a letter to all the oil companies warning them to be careful about the origins of ships.

Shortly afterwards, a tanker called the Kulu called to collect oil—for BP. The tanker was chartered by BP but was indirectly owned by South Africans through a Bahamas-based company. Once the Nigerians found out, there was such an uproar that it was feared the Government might nationalise the company then. Instead, BP lost its entitlement to 100,000 b/d of crude which it was purchasing from the NNPC.

Then came the news that the British Government had approved a swap deal by which BP could sell more North Sea oil to Europe in order to release non-embargoed oil from other countries for sale to South Africa. The attitude of the Nigerian Government was not helped by widespread misreporting in the Nigerian Press under headlines such as: "UK lifts ban on oil sales to South Africa."

Once the Nigerian Government felt it had been pushed as far as it could go, it waited for the moment when it could make the maximum political and material capital out of the nationalisation. On the eve of the Commonwealth heads of state meeting in Lusaka, which was to debate the Rhodesian question, the announcement was made that BP's interests had been taken over because the swap deal was a "mere subterfuge" for selling Nigerian oil to South Africa.

But the takeover has apparently had no deleterious effects on Nigeria's still buoyant oil fortunes. The Shell-BP operating company was manned 100 per cent by Shell anyway, and the queue of ready buyers for BP's equity share formed very quickly in the offices of the NNPC.

The extra equity allowed the Government to further its policy of diversifying its market. But experts point out that there is a danger in the new Nigerian policy—a danger demonstrated during the last oil glut. Third party customers are the first to switch alliegances while the operating companies with a large stake in the country are likely to be more sanguine. Some of the small third party customers simply cannot afford to have their margins squeezed too tightly because they have not the resources with which to survive.

The managing director of the NNPC, Mr. Festus Marinho, has himself predicted a downturn in the oil market in 1980-81. Nigeria will have to make sure its pricing policy is far more sensitive to world demand than it has been in the past to make sure it is not caught out again. The theory of a forthcoming decline in world demand is based on the promises by EEC countries and the United States to keep its consumption at the present level. But no one can ever predict another Iran, experts add cautiously.

Strategy

Nigeria must also pay serious attention to its domestic oil needs, which are rising fast. The then chairman of the NNPC, Brig. Mohammed Buhari, said last year that Nigeria needed a long-term oil strategy which would make its finite natural resource last as long as possible and cater for Nigeria's own growing needs. He suggested that domestic demand would rise to as much as 500,000 b/d by 1988.

For the time being, however, the future looks rosy. Known reserves stand at approximately 20bn barrels, and each year the operating companies are finding more oil than is being extracted. The new acreage for exploration is also expected to produce new finds, and as the cost of oil rises offshore exploration at ever greater depths becomes viable.

While the international oil market has been in such a turbulent state, Nigeria has pressed ahead quickly with its own domestic oil infrastructure. When all other ministries had to make spending cuts last year, the oil sector was allowed to carry on its ambitious programme for constructing two new oil refineries, 20 new storage depots around the country and thousands of kilometres of pipeline linking them all to the ports and the refineries.

The opening of the Warri refinery last year and the Kaduna refinery at the end of 1980 will bring total refining capacity to around 250,000 b/d. Port Harcourt, the oldest of the three is still functioning at near full capacity, and Warri is refining around 60,000 b/d but should reach its full capacity of 100,000 b/d within the next few months, officials say. The Kaduna refinery, being built by the Japanese company Chiyoda Chemical Engineering and Construction, will not only refine Nigeria's own crude but will produce a full range of products by refining imported heavy crude from the Middle East.

Many of the 20 depots around the country have now been commissioned. Built at a cost of N195m, the depots will increase the storage capacity tenfold to 90 days total supply and should prevent the regular shortages of supplies which were primarily the result of distribution difficulties.

The depots are linked by a pipeline network which criss-crosses the entire country buried at a depth of 80 cm except where it crosses rivers. The main lines are, first, from Warri through Benin City to Ore and Mosimi; second, from Warri through Lagos to Ibadan Ilorin; and third links Warri with Kaduna and then branches out in two directions: one goes to Cusau and Kano via Zaria and the other goes to Maiduguri through Jos and Gombe. The fourth line runs from Port Harcourt to Makurdi via Aba and Enugu.

Mark Webster

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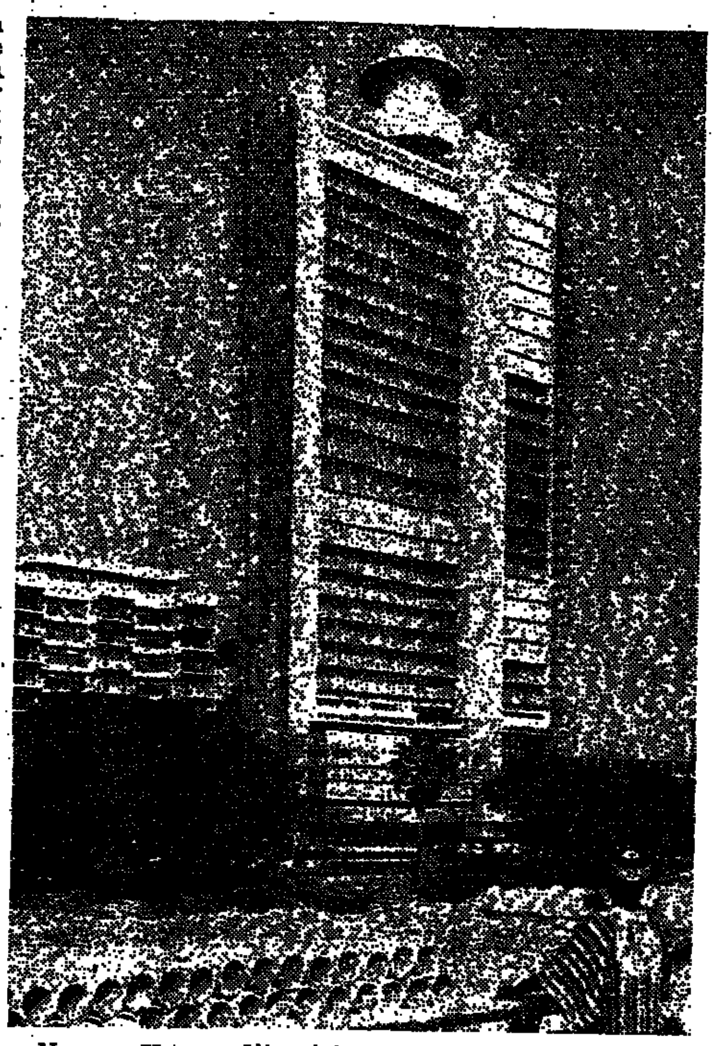
Development

Shape of next Plan

ALTHOUGH THE new civilian Government still has to decide on the details of the Fourth National Development Plan for 1980-85, every indication is that it will be a radical departure from previous plans. The guidelines for the next plan have been worked out under the military Government, and they stress the need to learn from past mistakes, when income was overestimated and the problems of implementation were underestimated.

It is always possible that the incoming administration could reject the cautious approach advocated in the guidelines. But most commentators feel sure it will accept the philosophy and adopt an appropriate stance. Past plans have shown that it is not possible for Nigeria to rush forward with development on all fronts at the same time; and the new plan will be ruled by two cardinal principles: consolidation and self-sufficiency.

Consolidation will mean two things. First, useful projects from past plans will be completed. Second, more attention will be paid to maintaining facilities already constructed. Self-sufficiency will apply both to the agricultural sector, which will be encouraged to supply enough food for the fast-growing nation, and to industry, where locally produced raw materials will be integrated more and more into manufacturing.



Necom House, Nigeria's tallest building, under construction by Costain West Africa for Nigerian External Telecommunications

Consolidation is considered necessary because many of the achievements of previous plans are in danger of going to waste if they are not properly cared for. For instance, the new plan would not include any increase in the federal road building programme but would instead emphasise the need for maintenance. At the same time, states will be encouraged to proceed with feeder roads to improve the access of the rural population to markets in the urban areas.

The same preoccupation with maintenance of existing facilities applies equally to airports. It is possible that one or two new airports will be constructed during the plan period but the most important factor will be a maintenance plan for those already built. No major federal expenditure on infrastructure is foreseen on the railways either. It is likely that the construction of a standard gauge railway to replace the existing narrow gauge track will wait until the proposed iron and steel plant at Ajaokuta is in production.

Equally important for consolidation will be the completion of outstanding projects spilling over from previous plans. The only large-scale capital projects envisaged during the new plan period are those which could not be undertaken in the past. The big federal projects are: the liquefied natural gas plant, the iron and steel plant at Ajaokuta, the nitrogeneous fertiliser factory and the petrochemical complex.

Many other smaller projects are also likely to spill over from past plans, but their implementation will be decided by the new Government once it takes over. The smaller projects will be more in keeping with the general tenor of development expected in the private sector where the absence of any anticipated major inflow of direct foreign investment will mean that new projects will have to be funded domestically—and resources are limited.

For the remaining large federal capital projects, however, the guidelines are likely to encourage foreign borrowing. With a debt servicing ratio which is tiny by comparison with many less affluent countries in the developing world, Nigeria is considered a good risk for foreign lending. Now that it has made its first sorties into the foreign borrowing market it is expected that more financing will be drawn from overseas sources.

But the broader aim of the plan will be self-sufficiency. For industry that will mean increasing Government pressure to include a higher proportion of locally produced raw materials in its manufacturing process—even if that means Nigerians adapting to a product which is different from the one they are used to. Greater financial incentives will be given to those companies wishing to set up in Nigera using local materials.

For example, the brewing industry will be required to look for local grains to replace those they are importing. And in the textile industry it has been suggested that consumers will have to do without certain types of material so that locally produced cotton can supply the home market. But officials stress that such a policy would be implemented over a long period, and there is going to be no overnight compulsion to use local materials.

However, it is the drive to become self-sufficient in food production that is going to be the number one priority of the new plan. A paper commitment to agriculture is not new, and it was perhaps one of the greatest failings of the last plan that despite promises to improve the lot of the farmer and increase production the agriculture sector has been one of the worst hit by the oil boom.

The next plan will argue, as did the last one, that there is no reason why, with 70 per cent of the population working on the land and vast unexploited or underexploited reserves of fertile land, the country cannot feed itself. Indeed, the plan will probably go further to say that, when oil eventually runs out, agriculture should be ready to reassume the mantle of the major foreign exchange earner which it wore before oil took over.

The strategy for the revitalisation of agriculture will be to improve conditions in the villages by rural electrification and pipe-borne water schemes and the improved education of the farmer through better extension services. Supply bottlenecks should be sorted out so that the farmer gets the right inputs at the right time, and Government purchasing organisations should be streamlined to ensure that the farmer is paid well and promptly.

On education, the next plan is likely to concentrate on secondary education. The big push to get Universal Primary Education for all 6 to 11 year olds has resulted in the danger that there will be no openings for them once the first batch finishes primary school in 1982. The system will be restructured so that there are two cycles of junior and senior secondary schools. Children will spend three years in the junior school before the better go on to the senior school.

It is the hope of the planners that eventually secondary education will be completely free. It is also their hope that many more children will go on to do some form of technical education to make the country less reliant on imported expertise. To that end science will become an essential part of the secondary school curriculum.

But in order to achieve the designs of the new plan, the planners recommend that a greater diversity of contractors should be encouraged to carry out the work. They have accused contractors in the past of operating a cartel within the country and keeping prices higher than they need be. At the same time, the large volume of work they were undertaking was putting a strain on their resources. So in future they have recommended that more companies be invited to carry out Government work.

The next plan will take careful consideration of the volatility of its biggest export earner — oil. The biggest miscalculation of the 1975-80 plan was that oil production would rise to 3m barrels a day and that the country would run an overall balance of payments surplus throughout the plan period. In fact, the first half of this year saw production at a record high of 2.4m barrels a day, which was considered unsustainable, and the balance of payments has remained stubbornly in deficit since 1976.

Apart from the financial constraints there were three other factors which the Government failed to take into account when producing the Third National Development Plan; the need for clearcut priorities, manpower constraints and the inflationary effects of Government expenditure at the level projected. Even though the plan was radically revised after governments changed in July 1975, the plan still proved far too ambitious.

At the same time as oil earnings were failing to reach their planned level, the states were adding to the Government's difficulties by profligate spending on their own account. The federal Government had no effective control over the states' finances, and that, coupled with a lack of inter-ministerial co-operation at federal level, contributed to making the situation far worse than it needed to be.

Officials say that all the past lessons have now been learned and, for the future there will be much less readiness to try things on a big scale before seeing if they work on an experimental basis. The thinking is that the country has tried to move too far too fast and that the five years of the development plan will be a good time for reflection. As one official put it recently: "What we don't want is growth without development."

M.W.

Gas

Giant project

THE NATIONALISATION of British Petroleum's oil interests earlier this year has left a question mark over its future participation in a giant liquefied natural gas (LNG) project in Nigeria. BP is one of five international oil companies with a stake in Bonny LNG, in which the Nigerian Government has the majority shareholding and which is to undertake the multi-billion dollar LNG plant plan.

BP has not said publicly what it will do about its stake in Bonny LNG, but Nigerian officials are confident that the project will go ahead anyway and come on stream around 1985. Negotiations are continuing on the long and complex process of securing a market, fixing a price, designing the plant and deciding who is going to build it. Selected companies have been asked to tender for the construction and customers have been found in the United States. But a price still has to be agreed for the LNG, and the approval of the U.S. Government for the import of the gas is necessary.

The LNG plant has been under discussion in Nigeria since the 1960s. But with costs continually escalating, the construction of the plant alone is now put at around \$4bn. Total investment by all parties from extraction to shipment is thought likely to be in the region of \$12bn, with some estimates putting it as high as \$14bn. Much of the finance for the project would be sought abroad, which would make it the second biggest internationally financed project after the Alaskan pipeline, according to some experts.

Before making such a large commitment it has therefore been vital to examine every possible safeguard to ensure the profitability of the plan. Actual supplies of gas are definitely not going to be a problem. Nigeria flares around 95 per cent of its associated gas, which at current production rates means well over 2bn cu ft per day (cf/d) is being burned off. There are also substantial fields of non-associated gas which have been located and sealed until the LNG plant is ready. Reserves will last well over 20 years, even at maximum production, experts say.

The new plan for the LNG plant envisages one centre which will process between 1.8 and 2.0 bn cf/d. Originally it was planned to build two plants each producing half the quantity, but the Government decided that one jumbo plant would be constructed and all the five oil companies which were to participate in the previous two plants would share 40 per cent of the equity in the new one. The Government has taken 60 per cent, Shell and BP each have 10 per cent and Elf, Agip and Phillips split the other 20 per cent between them.

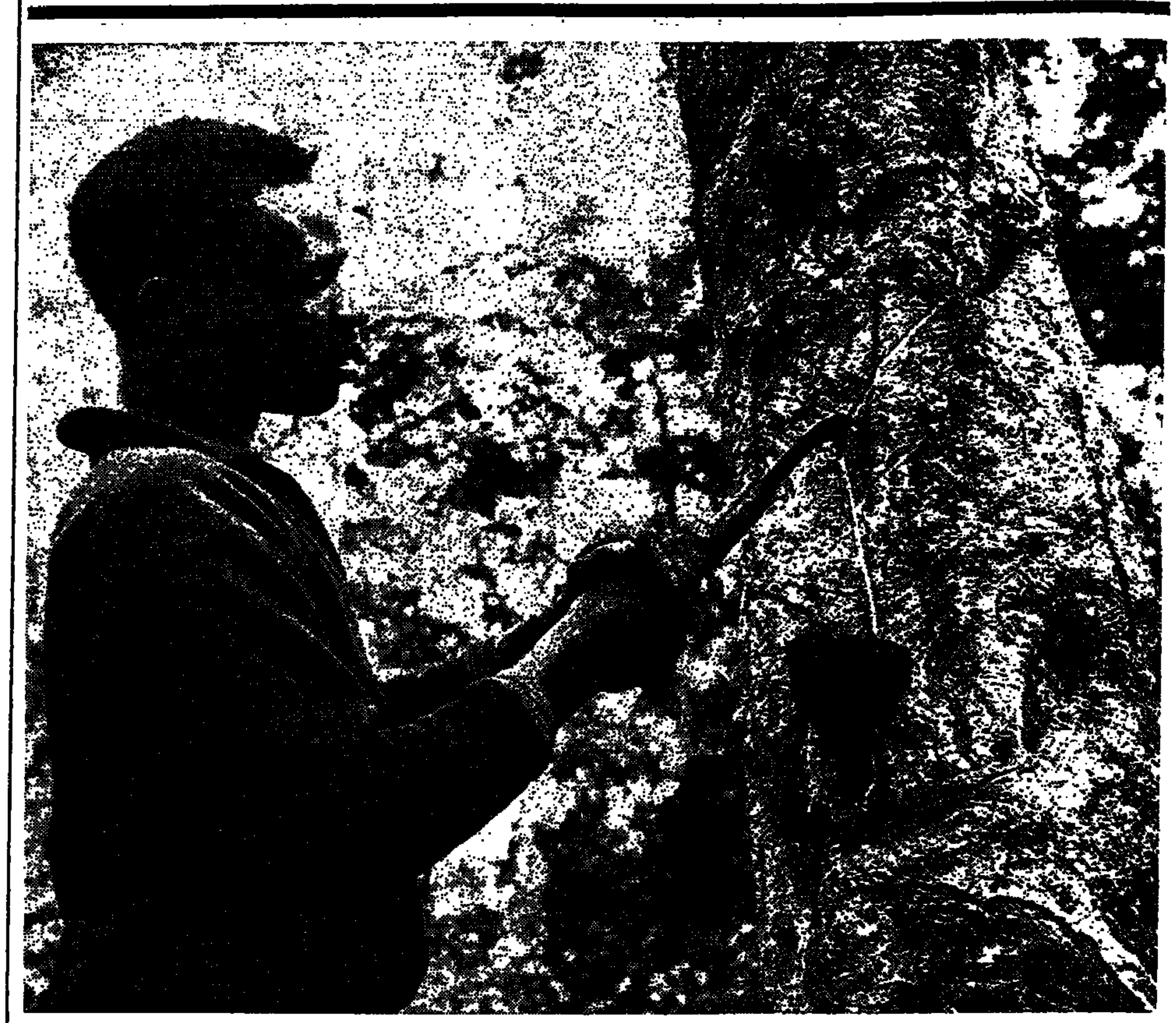
Each of the partners will prospect for its own gas and sell it at the wellhead to the Government-owned Nigerian Gas Transmission Company. The Nigerians have said they would like an international pipeline company to take a 10 per cent stake in the gas transmission company in return for its expertise. The gas then passes to the jointly owned Bonny LNG company, which would be responsible for processing and marketing the product. However, Nigeria has reserved the right to 50 per cent of the shipping rights.

While the protracted negotiations over LNG have gone on, the Nigerian authorities have pressed ahead with a variety of projects for using more of the gas now being flared, especially in power stations and industrial concerns. One estimate is that the gas flared every day represents five times Nigeria's domestic energy needs, and there has been a lot of public interest recently in what is being done to make more use of the gas.

Power stations at Afam and Ughelli have been using gas for some time now and a much bigger power station at Sapele has been commissioned. But the biggest potential consumer is the planned Lagos power station, which would consume 350m to 500m cf/d. Because of various delays it is unlikely that the power station will come on stream until well after the original deadline of 1985.

As for domestic bottled gas, of which there has been a persistent shortage in Nigeria recently, the Warri and Kaduna refineries will eventually produce around 700 tonnes of bottled gas each a year. Warri is not yet operating at full capacity and the Port Harcourt refinery only produces 60 tonnes a year. The LNG plant will not produce gas for the domestic market because all its gas will be frozen and therefore impossible to transport for domestic use.

M.W.



Tapping a rubber tree in Bendel State

Agriculture

A problem area

AFTER YEARS of stagnation or decline, Nigeria's agricultural output showed a slight increase last year. The overall increase of 1.8 per cent in cash and food crops was the first encouraging sign for many years in a sector which has suffered more than any other since oil changed the face of the Nigerian economy. But experts point out that the increase was mainly due to good weather and that over the same period the population increased by 2.6 per cent.

Before the oil boom, agriculture was the country's biggest foreign exchange earner. Nigeria exported large quantities of cocoa, rubber, cotton, palm oil and ground nuts. Even though these exports have now substantially decreased or disappeared altogether, Nigeria is still predominantly an agricultural economy. When talking about the country's agricultural decline it is essentially the export sectors where that is true. With 70 per cent of the population still living off farming, the country is still rich in food crop production.

But although successive governments have emphasised the importance of agriculture, little enough has been achieved. The incoming Government of Alhaji Shehu Shagari has made agriculture a cardinal point of its party manifesto and has promised to divert far more Government funds into the sector. The outgoing military Government allotted N114m in the federal budget for capital expenditure on agriculture and many of the states have given larger budgetary allocations to agricultural projects.

The determination of every government to put life back into the rural sector is for two reasons. The first is that oil is a finite resource and eventually something will have to be found to replace it. The second is the knowledge that with sensible resource management there is nothing stopping Nigeria from regaining its position as a major agricultural exporter. The third national development plan for 1975-80 pointed out that only one-third of Nigeria's 98.3m hectares were under cultivation. With the right incentives, that area could be doubled.

Answer

That is not to say, however, that the simple answer to Nigeria's agricultural problems is to pour money in. The sector is beset with many and complex problems which can broadly be divided into three categories: 1—the historical problems; 2—problems caused by the oil boom, the civil war and natural calamities such as drought and disease, and 3—the inefficient management of the sector by the authorities.

The most intractable of the historical problems is Nigeria's hopelessly tangled land tenure system. Nearly all farming is done on smallholdings of 2-5 acres, which are difficult to mechanise and practically impossible to rationalise into larger units. An attempt was made with the Land Use Decree of March 1978 to encourage a more equitable structure in Nigeria's laws of tenure by bringing all land into Government ownership. But the issue proved so controversial that little has been achieved.

The second historical problem is the lack of an effective marketing and distribution system—a problem which has become particularly acute as thousands more people drift into the cities. Infrastructural improvements have gone a long way towards opening up the interior to provide food for the urban areas, but the system still cannot cope. Experts estimate that as much as 50 per cent of the fruit and vegetable crop is ruined before it can reach a consumer because of the poor quality of the original material, the long distances involved and the inefficient distributive chain.

The advent of oil added considerably to those existing problems. Once oil money came into the country it dramatically altered the rural-urban terms of trade in the favour of the cities and young people were attracted away from the countryside in ever growing numbers by the lure of good money in the city. Once the young people started leaving, the ageing farmer was faced with a problem of finding labour, and thanks to the higher wages of the city he was unable to compete by hiring contract labour.

Particularly in cocoa cropping, which relies heavily on contract labour, the farmer found he was unable to look after his crop. What made his life worse was that his own real income was steadily being eroded by the higher rate of inflation, which increased much faster than the producer prices paid by the marketing boards. So the farmer moved out of cash crops into food crops because he knew that market prices would reflect the inflationary trend much better.

On top of that, natural disasters badly affected specific sectors. The Civil War from 1967-70 left large areas of palm oil plantations in the east ravaged or neglected beyond repair. Other sectors were hit by the Sahelian drought, which wrought havoc in the north with the groundnut production. Annual tonnage of groundnuts fell from around 500,000 tons in 1972 to a few thousand tons in 1975. Then just as the crop was beginning to recover from the drought there was an attack of rosette disease for two years running.

But experts say that all the problems of the agricultural sector have been compounded by the apparent inability of the Government to do anything about it. The opening of state ministries of agriculture and the many para-statal government bodies for agriculture have placed an enormous strain on the small reservoir of trained manpower which was available. As a result, standards in many ministries have slipped noticeably.

Administrative confusion was reflected in the many different attempts to improve agricultural production and the lot of the individual farmer. Operation Feed the Nation, launched in 1976 as part of the drive towards self sufficiency in feed crops, was only successful to the extent that it heightened people's awareness of the problems. But it failed in its administrative tasks when it was given the job of importing and distributing vital inputs to the farmer.

For instance, fertiliser was being imported at the rate of 400,000 tons a year in 1976 yet, although demand was rising, imports sank to 250,000 tons in 1977. They have now reached 300,000 tons for 1978 and contracts have been awarded for the import of 400,000 tons in the 1979-80 budgetary year. But the farmer has inevitably been badly affected by the erratic supplies. To show how determined he is to get fertiliser, sacks were changing hands at five to 10 times the official rate during the shortage while the Government continued to subsidise it by 75 per cent of the value.

Attention

Because of the many problems associated with the small farmer the Government has turned its attention to large-scale farming. There is plenty of land ripe for such development especially in the fertile but sparsely populated Middle Belt. The federal Government spent N10m last year on land clearance schemes, and feasibility studies have now been completed for a 4,000 hectare farm in each of the 19 states.

The Government's attempts to get foreign participation have not yet met with success. In the budget before last, agri-businesses were transferred from Schedule II to Schedule III of the Nigerian Enterprises Promotion Decree, which meant they could be 60 per cent foreign owned. Generous incentives were offered in the shape of an indefinite period in which losses could be written off against profits and a capital allowance of 10 per cent for purchases of plant and equipment.

Although a number of companies expressed interest in such investment, not a single one has yet agreed a contract with the Government.

Over the past year, performance in the different crops has been so different that it is worth going through some individually, especially as there have also been marked changes in the Government's import policies in order to cope with shortfalls in supply. Rice production, for instance, increased to 850,000 tons last year from 620,000 tons the previous year. At the same time, Government cut back on imports so that during the present financial year only 200,000 tons of rice is expected to be imported compared with nearly 500,000 tons in 1977-78. There is every indication that the Government will try to cut imports even further over the coming year.

Among the other grains, it was also a good year. Corn and sorghum both showed increases while millet production reached a record 3.1m tons. Even pulses were up 85,000 tons from a low level of only 365,000 tons the year before. Wheat production was up at 7,000 tons, but it still only accounts for around 1 per cent of the country's total consumption.

Cocoa had another bad year with the 1978/79 harvest estimated at 165,000 tons despite hopes that it would reach 210,000 tons. The poor crop was probably the result of inefficient farming. The cocoa trees continue to suffer from the joint problems of ageing trees and ageing farmers. Projects are underway with World Bank and FAO support to improve the trees in the western states of Oyo, Ogun and Ondo, but they have not been able to counteract the overall decline.

Cotton production in 1978-79 is expected to be around 200,000 bales, which is much the same as the previous year but half the bumper crop of the year before that. The major reason for the shortfall was the slowness with which the marketing board paid the farmers for the bumper crop. After waiting as long as six months for payment, the farmers have shifted into food crop production instead.

The sugar plantations and mills at Bacita, and the one just starting at Savannah, are likely to run into severe economic problems because the price of domestically produced sugar is N280 a ton while foreign sugar can be delivered at N240 a ton. The Government's aim is to produce 200,000 tons of sugar by 1982, but with present market conditions it is more likely to be 100,000 tons.

Peanuts had their third disastrous year in a row with the local markets buying the entire production, estimated at around 50,000 tons. The marketing board did not buy a single ton because it was offering N240 a ton while the local market price was N400 and more a ton.

Palm oil production showed only a slight improvement, despite help from the federal Government, the World Bank and the FAO. Production was up 5,000 tons to 515,000 tons and all of that was absorbed by the home market. Palm kernel production, which is largely for export, reached 413,000 tons in 1978, an increase of 15 per cent on the previous year.

Poultry, which had been developing rapidly after imports were banned, ran into trouble because of a shortage of feed. There are now around 70m commercially produced poultry out of a total population of around 200m. But 1m birds had to be slaughtered in Imo state alone because of a shortage of grain. The trouble began when the Nigerian authorities refused the import of grain from the U.S. because of a spore which the authorities were afraid would affect Nigeria's grain.

The cattle population has still not recovered from the over-slaughtering of females during the Sahelian drought and is now around 8.5m compared with 11m in 1972. At the same time, the price of meat has gone up considerably since the import of meat was put under licence. There are also around 20m goats and 10m sheep in the country. The rapidly growing goat population is causing problems in the north where they are over-grazing and increasing the spread of the desert.

Forestry has its own problems. With 16 per cent of Nigeria's total land area covered with forest, wood was considered an inexhausible raw material and little was done to replace trees once they were cut down. A massive replanting scheme is now underway, and exports of wood and wood products have been banned until the forests can recover sufficiently.

M.W.

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Trade

Out of balance

THE USUALLY crowded waters of Lagos harbour presented a strange and eerily deserted picture during the first few months of 1979. There were so few ships in port that vacant berths could be seen for the first time in years, while the queue of vessels waiting in the roads outside the Nigerian capital was reduced to nothing.

This remarkable scene was the most graphic illustration of the extremely depressed nature of Nigeria's import trade during the past year.

There have been two major reasons for this. First, the sharp recession which overtook the Nigerian economy in 1978 forced the Government to make major spending cuts and introduce strong import controls. Secondly, the Government suddenly introduced at the start of this year a system of pre-shipment inspection for imports. Most people were taken by surprise and it was several months before the bureaucracy associated with the new system began to operate efficiently. Meanwhile, Nigeria's imports fell drastically and Lagos harbour emptied of ships.

Some British exporters to Nigeria — the UK's largest market outside Western Europe and North America — have faced additional problems. Last June the Lagos Government indicated that it would not consider tenders for some major Federal Government contracts by British companies until Mrs. Thatcher clarified her Rhodesia policy.

But it appears that this ban has just been lifted.

Despite these set-backs, prospects for trade with Nigeria remain bright and British officials are anxious that exporters do not lose interest in the market. Pre-shipment inspection is now working fairly smoothly and the Nigerian economy is recovering, fuelled by higher oil earnings and a healthier balance of payments.

Slump

It was a slump in oil earnings in late 1977 and early 1978, accompanied by a sharp deterioration in the balance of payments, that forced the Government to introduce a wide range of import controls in the April 1978 budget.

The size of the problem can be gauged from the fact that even with these controls starting to work, Nigeria ended 1978 with a record overall balance of payments deficit of nearly N1.4bn —about three times the 1977 figure. The current account sustained a deficit of more than N2.3bn and merchandise trade —in surplus every year since 1966 — recorded a deficit of N2.15bn.

The reason for such a major turnround in visible trade was that imports rose by 15.8 per cent on 1977 to N8.2bn while exports fell 20.5 per cent to N6.06bn, a figure largely accounted for by a 23.6 per cent fall in oil exports to N5.4bn.

It was against this background that in the 1978-79 Budget the Government clamped down hard on imports. It banned 13 categories of imports, including footwear, carpets, furniture, ready-made garments and jewellery; placed under import licence a further 15 categories of goods, including radios, record players, television sets and paints; and issued a requirement that importers using letters of credit make an advance deposit with the central bank of 100 per cent of the value of the letters.

These measures were reinforced by a general cutback in Government spending and a liquidity squeeze. By the end of 1978 officials in Lagos were relieved to see import levels falling by the month.

It was at this point—mid-December 1978—that Nigeria's overseas trade was thrown into a turmoil from which it is only now recovering. The Government suddenly announced that from January the Swiss-based company Societe General de Surveillance (SGS) would inspect in their country of origin the price, quality and quantity of goods bound for Nigeria.

The reason for the move was the Government's justifiable concern that Nigeria was being cheated by some traders. It believed that some foreign companies were overcharging the country for shoddy goods or were conspiring to over-invoice with importers who would use this as a means of getting foreign exchange out of Nigeria.

No one could fault the Government's motives in introducing pre-shipment inspection, but there were justifiable complaints about its timing. Although it had foreshadowed the scheme in the April 1978 budget, it gave no details as to when or how this was to be introduced until its announcement in December—less than a month before the process was meant to start.

After protests from traders at the short notice, it did agree to delay the introduction of the scheme by one month, to the end of January, but this was still insufficient time to get the scheme working smoothly at the Lagos end.

The main problem w as the time it was taking the Central Bank to process the newly-introduced and suddenly notorious "Form M," which has a central role in the inspection process. As a result of this and other uncertainties, Nigeria's import traffic declined dramatically. By April the tonnage discharged at the Lagos port complex was just 365,000 tonnes, down 46 per cent on a year before.

Now, however, the system seems to be operating fairly smoothly. It works, broadly as follows. An importer must first apply to the Central Bank in Lagos for permission to purchase foreign exchange, detailing on a Form M the goods to be bought with the money. If approval is given, a copy of the Form M is sent by the Central Bank to SGS, which then carries out its inspection in the country from which the goods originate.

It is estimated that Forms M are now being processed by the Central Bank in three to ten days, and that 80-90 per cent go through with little trouble.

Controversy

As regards the SGS end of the process, there is inevitable controversy. Some exporters resent the powers of the company and complain that it has unjustifiably found fault with their goods. However, there is a wide measure of agreement among major traders that SGS generally provides a reasonable service. The Nigerian Government is certainly pleased with the system. Maj.-Gen. James Oluleye, the outgoing Commissioner for Finance, told the Financial Times that SGS had done a "commendable job." He reckoned that it had already saved the country 300 per cent more than the fees it had obtained for its services.

With the dramatic rise in Nigeria's oil earnings, the current account of the balance of payments is expected to come back into surplus by the end of this year. However, the outgoing military Government has adopted a very cautious approach towards loosening import controls.

In last April's budget the Government actually tightened them. Four more articles were added to the banned list — artificial flowers and fruits, fireworks, footwear uppers and toothpaste. Some 25 further items were added to the list of goods under import licence — and so sparing have the authorities been in granting licences that in some cases this has amounted to a virtual banning. Goods newly under licence include wheat, rice, sugar and cosmetics. On top of all this, Gen. Obasanjo, the outgoing Head of State, announced that in the interests of "stable development" any import banned by the military would remain banned for at least eight years.

The new civilian Government will come under strong pressure to relax import restrictions, but it can ill-afford to allow too great a lowering of the barrier thrown up over the past 18 months. Foreign exchange reserves, at around N2bn, still cover less than four months' imports and any sudden relaxation of controls would throw the Government's recovery programme off balance.

One of the most difficult problems facing the new administration will be to redress some of the worst imbalances in the composition of the country's exports and imports.

On the export side, Nigeria remains over-dependent on the volatile oil market. Crude exports account for about 90 per cent of foreign exchange receipts while manufactures and semi-manufactures last year accounted for less than one per cent of exports by value.

Agriculture last year provided a mere 6.8 per cent of foreign exchange earnings (most of it from cocoa) and the export performance of this sector is particularly disappointing. Over the past decade the export of some of Nigeria's major cash crops has either stagnated or declined, partly because of rising domestic demand but in large measure from lower productivity. Groundnuts and palm oil, of which Nigeria was once one of the world's major producers, have now disappeared from the export list.

On the import side, the overall structure of imports has remained unchanged for many years, with capital goods and raw materials accounting for about 70 per cent. However, here, as on the export side, the deficiencies of Nigerian agriculture are glaring. In recent years the country has imported an ever increasing volume of foodstuffs. In 1978 they were worth N1.02bn, or 12 per cent of total imports.

As regards the direction of trade, the most dramatic development over the past decade has been the upsurge in the amount of Nigerian oil bought by the U.S. In 1970 it took crude worth N72m, or 14 per cent of total oil exports, but by 1978 this had risen to N2.4bn, or 46 per cent of exports.

The U.S. has thus replaced the UK as Nigeria's largest trading partner, but Britain remains the leading supplier of the country's imports, holding just over 20 per cent of the market against keen competition from West Germany (16 per cent), the U.S. (11 per cent), Japan (9 per cent) and France (7.5 per cent).

It is not clear how much British trade has been damaged by the Nigerians' discriminatory action over UK tenders. This policy evidently applied only to major contracts awarded by the federal Government, so tenders with private concerns and the 19 State Governments have not been affected.

Even so, British tenders for some very large contracts have been hit, including a bid by Costain, Balfour Beatty and Cementation International for the port development project at Onne, in Eastern Nigeria.

However, the main depressant on Anglo-Nigerian trade this year has been a factor shared with every other nation—uncertainty over pre-shipment inspection. Largely because of this, British exports to Nigeria may only amount to £600m in 1978, compared to more than £1bn in 1977 and 1978.

M.D.

Industry

More hopeful signs

ALTHOUGH NIGERIA'S industry has faced a host of problems during the past year, businessmen are optimistic that the reviving economy means an upturn is around the corner. Increased oil revenues have enabled Federal and State Governments to start paying their debts, thus easing the critical cash flow position of many companies. At the same time importing raw materials and spare parts has become easier, because foreign exchange has been available and because many of the problems caused by the introduction of pre-shipment inspection have now been sorted out.

The complexity of Nigeria's industrial sector, with its heavy public participation, makes it difficult to summarise its problems. Different companies have been affected to varying degrees and in widely differing ways by the downturn in the economy over the past 18 months. But by leaving aside the public sector investment in industry until later, it is possible to treat the private sector in three broad categories: the recent past and immediate future; the medium term with its apparently intractable infrastructural problems; and the long term, especially in the light of the fourth national development plan.

The rapid fall in oil revenues in the early part of 1978 was immediately reflected in the construction industry and the trading sector. But since then it has filtered through to almost every part of industry. The only exception has been those manufacturers producing readily consumable items, such as beer. The brewing industry has had a good year, in contrast with almost everyone else. More typically, companies strapped for cash were forced to turn to the banks for working capital at a time when the banking sector was facing a liquidity squeeze.

Newspapers gave wide publicity to the lay-offs, shortened working weeks and cutbacks in production as companies prepared to weather the recession. The shortage of foreign exchange also meant that the level of imports tailed off considerably, forcing some companies to fall back on their stockpiles or reduce their output.

The introduction of pre-shipment inspection and the need to obtain a Form M from the central bank brought everything to a screeching halt for a number of weeks after this measure was introduced on January 1 last. The hiccough in supplies which resulted from the new measure meant that companies were obliged to rely even more heavily on their stockpiles, which did ease their cash flow but left them dangerously under-stocked.

Problems

The medium-term problems are likely to remain much as they are, industrialists believe. Government price controls have continued to squeeze the profitability of the private sector and have been criticised in some quarters because they tend to discriminate against the productive sector. They are easy to enforce at the factory gate and in the formal trading sector where the big stores are easy to patrol. But they cannot be made to stick in the informal trading sector which means that street and market traders continue to make disproportionately large profits and indigenous capital is not attracted into industry.

The private sector has been given an additional headache recently with the outgoing military government's insistence that employers should provide housing for their employees. According to the government decree employers now have to provide at least 50 units of accommodation for their staff if they employ more than 500. Three quarters of the housing has to be for junior staff.

The incoming civilian administration has promised to look again at the constraints on industry but manufacturers prefer to place their hope for the future in the promised oil-led economic upturn. Oil revenues could be 50 per cent higher than last year's depressed figures and most people feel that a substantial injection of government money will produce a mini-boom when the new administration takes over.

The construction industry, always one of the most sensitive barometers of the industrial climate, has already registered increased demand and is also benefiting from the payment by government for work already done—though in some cases not completed. The trading sector is still suffering from price controls but it has seen signs of a greater willingness by the consumer to dig deeper into his pocket for larger items, from fridges to motor vehicles.

But despite the general optimism there is still widespread criticism of Nigeria's infrastructural shortcomings. Poor roads, erratic electricity supplies, water shortages and inefficient communications have caused reductions in output and involved heavy additional capital outlay on standby generating equipment and boreholes.

With so much more work to do on infrastructure, the guidelines for the Fourth National Development Plan 1985-90 place great stress on the need for consolidating what has already been achieved and maintaining existing infrastructure. So far as the private sector is concerned, the planners are not counting on any substantial direct foreign investment in Nigeria. Because the financing for the private sector will therefore have to come from domestic funds the planners foresee small-scale industries being the only ones which will develop over the coming years—unless of course the nascent capital market can expand faster.

But the guidelines for the development plan include some other important indicators for the future of a country in which public sector involvement in industry is extensive. The planners say they wish to learn from the mistakes of past plans which underestimated the constraints which would be encountered while undertaking such ambitious schemes. The new plan aims only to complete projects which have spilled over from previous plans and will not add new capital projects to the list.

The Third Development Plan had enormous implications for industry. Drafted in the heady days of the 1973-74 oil boom, it aimed to correct many of the basic problems of Nigerian industry which it analysed in three main areas: the dominance of low technology light industries such as food, beverages, tobacco and textiles; the virtual non-existence of an engineering industry; and the relative weakness of the intermediate goods sector, including industrial chemicals and fertilisers.

The Government proposed to tackle those problems in two ways. First it would encourage the private sector by overcoming supply and distribution bottlenecks and improving the infrastructure; second, it would itself invest heavily in industry to establish a base on which future industrialisation could be carried out.

The big Federal projects included an iron and steel plant, two direct reduction steel mills, three cement factories, four commercial vehicle plants, three integrated sugar projects, two paper mills, a petrochemicals complex, a fertiliser plant and a giant liquefied natural gas project. During the plan period the Government will have reached a different stage of development with almost all the projects: some are finished, others are under way and most of the remainder are still being discussed.

The iron and steel mill, for instance, has now been agreed after lengthy negotiations with the Soviet Union. It will be built for N1.8bn and should come on stream some time after 1985. The liquefied natural gas plant is still being discussed but officials are confident that it too will be ready by the middle to late 80s.

The outgoing military government believed that the next five years would be a time for private enterprise to take the lead in industrial development, now that the public sector had shown its willingness to establish the primary industries. The incoming civilian government has stated that agriculture will be its No. 1 priority but it has added that measures will be introduced to make Nigeria a more attractive prospect for direct foreign investment in industry.

M.W.

Universities

Costly expansion

LIKE MANY aspects of the extraordinary world that is Nigeria, its thirteen universities have been the pride and despair of successive governments. They promise so much simply by virtue of their existence, but the reality of their day-to-day teaching, research and finance is very different.

They cost a great deal of money. They are rowdy. They are centres of discontent. But they are also politically important since they command the gateways to public and professional employment. They are where most young intelligent and ambitious Nigerians want to be, except that the mode of entry and the frustrations of actually being at Lagos or Ibadan or Ahmadu Bello or Port Harcourt frequently turn expectation into angry annoyance: in 1978 there were violent clashes (particularly in Lagos and Zaria) between the army-plus-police and students. Universities were closed, the National Union of Nigerian Students disbanded, a full-scale Commission appointed, and a number of Vice-Chancellors dismissed or transferred.

Such is the reality of university-government relations in this huge federation. Even more than the State assemblies, or the federal Parliament, or the oil rigs or the new expressways, they stand as symbols of the 1980s. Once there was only one—Ibadan; then six, with the opening of ABU at Zaria, the University of Nigeria at Nsukka, and the Universities of Lagos, Ife and Benin. Today there are 13, seven more being added in 1975: Calabar, Bayero, Ilorin, Jos, Maiduguri, Port Harcourt and Sokoto.

During the election campaigns the promise of more universities was held out by the politicians. Alhaji Shehu Shagari was reported in April as saying that the NPN would "make enough funds available to each State to establish its own university." Under the 1979 constitution, universities are part of the concurrent list of powers.

Nor are the new universities content to concentrate on the arts and social sciences. Each would like a full array of courses, including medicine, agriculture, engineering and law. Maiduguri, Jos, Ilorin and Calabar have already begun to offer courses in medicine. Sokoto is to start in 1980. The Nigerian Universities Commission has restricted engineering in the new universities to Ilorin and Port Harcourt but has allowed law at Bayero, Calabar, Jos, Maiduguri and Sokoto. Calabar, Maiduguri, Port Harcourt and Sokoto will all have agricultural faculties.

The strain on recruitment, libaries, equipment and teaching staff is enormous. Two of the older and better established universities — Ibadan and Nsukka—are still in debt despite increased allocations of N179m to the universities (excluding the teaching hospitals) in the budget earlier this year. Total student population is nearing 60,000, by no means a high figure in relation to population, yet all the problems of haste and over-expansion are clearly visible.

Nothing in Nigeria proceeds at walking pace. The cry is "Faster, faster, faster," if only to keep momentum and avoid falling back.

There is a basic dilemma about university life, illustrative no doubt of a general problem for Nigeria in the 1980s. Too much is expected by the Government—any government—in relation to what a university can actually do. And because government is the paymaster the universities are constantly being nudged or criticised or directed by the soldiers and politicians.

Control

Centralised control is exercised through the Nigerian Universities Commission and the Joint Admissions and Matriculation Board (JAMB). The universities are then asked (as in the National Policy Paper on Education) to provide "high level manpower within the context of the needs of the economy," to inculcate "the proper value-orientation for the individual and society," to use the "talent and expertise in the universities more for national development and decision-making than at present," to encourage a "spirit of service in the students," and "to serve as effective instruments for cementing National Unity." In short, to play the midwife to the State and nation.

But of course universities reflect the State and society within which they work and from which they are drawn. They are undoubtedly seen in Nigeria as instruments of local advantage as well as symbols of national prestige. Recent quarrels over admissions through the JAMB, based on the ideal of a federal mix of students at each university, have raised all manner of ugly spectres of division.

In many ways the universities do contribute to a Nigerian identity and to national unity if only by their common use of English and by their adherence to a "universality of learning" which each of the 13, however unsurely based, does try to maintain. But the heavy structure of control almost certainly hinders their task. Reports of admissions by JAMB on a centralised basis, inaccurately formulated, produced an acute crisis between the major communities, much of which would have been averted had each university been responsible for its own student numbers.

Alhaji Shehu Shagari has promised to restore some of "their lost autonomy" but complaints from vice-chancellors and their officers have increased in recent months. Addressing the fourth meeting of university bursars, Professor Onwumechili, vice-chancellor of Ife, appealed to the Government for further funds "to bail out the universities from their financial problems." The former Registrar of Ibadan, Chief Adamolekun, has accused the Government of "battering" the universities by its policy of interfering between staff and students, and "lowering the esteem of the university administration in the eyes of the students."

The play of political opinion among students is very hard to assess. Very likely they hold opinions well to the Left of any

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Education

A powerful issue

ONE OF the most hotly contested issues in the Nigerian elections was a proposal for the immediate introduction of universal free school education which was put forward by Chief Awolowo's Unity Party.

The UPN did not get into power and most educationists believe that the promise would have been unworkable, given the constraints under which the educational system already has to operate. But that education could prove such a powerful issue in a campaign practically devoid of policy issues underlines the importance Nigerians attach to schooling.

It was in response to this that the Government launched its Universal Primary Education (UPE) scheme in September 1976. Probably the most ambitious scheme of its kind ever attempted. UPE made free primary education available to all Nigeria's 6-11 year olds. At the time, it was seen both as the fulfilment of national aspirations for improved education and a higher rate of literacy and the best way to equalise the differences in educational standards between different parts of the federation.

UPE has since been criticised for being under-prepared and over-hasty. The great rush forward left an enormous vacuum behind in terms of the quality of the education on offer and the facilities available for the children. But though qualitatively UPE schools left something to be desired, numerically the achievements were staggering. In the initial 12 months, nearly 3m young Nigerians enrolled in the first year of primary school and since then the figure has hovered at around 2.7m a year.

This year's enrolment, the third since UPE started, has taken the school population to 11.4m, practically double the number before the scheme started. At the same time, there has been a considerable increase in the number of classrooms constructed and in the number of teachers turned out by the training colleges—even if in neither case has the number been sufficient to cope with the rising school population.

UPE was hit last year when the dramatic fall in oil revenues forced all public services to cut back. But this year's budget saw a considerable increase in recurrent and capital allocations to education. Recurrent expenditure for the financial year 1979-80 is up to N326m from the previous year's actual expenditure of N235m. On the capital side, the allocation has practically doubled from N208m last year to N389m. Of that, the biggest increases are for UPE, which has more than trebled its capital allocation from N20m to N68m, and for teacher training, whose capital budget goes up from N47m to N80.8m.

But money alone is not the answer to Nigeria's educational problems. Now that UPE has taken the giant step forward, educationists are asking three crucial questions: whether the benefits of the system are being equally spread over the entire country; what the quality of that education is; and what is going to happen to the products of UPE when they start to emerge from the system in 1982.

The question of the educational imbalance between the north and south has long been a headache. The predominantly christian south received a head start from the missionaries in western, English language education when compared to the north, with its traditional islamic teaching. This meant that the growth of bureacratic employment was bound to discriminate against northerners, since English remained the official language.

Before the start of UPE, some of the northern states had school enrolment figures of only 7 per cent of the eligible population. With that in mind, some of the northern states made special efforts to improve school attendance when UPE started. Some were conspicuously successful, such as Kano, while others were much slower, for instance Sokoto.

But since that first year there have been signs that UPE is consolidating its early achievements. After the poor initial response in Sokoto, the past two years have seen enrolments of around 114,000, five times the number recorded before the UPE scheme was launched. And in Kano, although the numbers are not as impressive as when the scheme began, they have hovered at a level four times higher than before UPE.

Although progress is visibly being made in overcoming the north/south imbalance, more difficult problems remain to be solved. The quality of the education being offered to children taking part in the UPE scheme has been variable, experts agree. Some of the blame for that has to be put at the door of the planners, they say, who did not allow enough time for preparation—although, in fairness, they were under pressure from the military Government to push ahead.

The lack of preparation meant that UPE suffered from the outset from a lack of trained teachers, a shortage of classrooms, an inadequate supply of books and materials and the absence of a well defined curriculum adapted to Nigeria's own needs. Efforts have been made to correct all these deficiencies but a great deal of work is yet to be done.

The outgoing Head of State, Gen. Obasanjo, recognised the problem with teachers in his latest budget speech. He spoke of "intensifying efforts" to produce more trained teachers and said the existing enrolment of 17,700 in advanced teacher training colleges would be considerably increased.

Even so, some of the northern states are having to make do with many totally untrained teachers who were often just recruited from secondary school. A programme has been started to give untrained teachers a training session in a college to bring them up to the required minimum standards.

At the start of UPE many children were being taught in sheds, churches or under the trees, and because of the continued high enrolment figures the schools have never really managed to catch up. Although in some states committed to education there have been very successful self-help programmes, where villagers built their own schools, the states and local government areas have said they do not have sufficient funds to contribute more to the UPE scheme.

The states and local governments already have responsibility for the supply of books and other materials to the schools. With a number of the states heavily overspent on previous programmes and deeply in debt, there have naturally been cutbacks, and wherever possible the parents have been persuaded to provide the necessary books.

All the problems of UPE add up to explain the relatively high drop-out rate experienced between the first and second year of primary school. Understandably, those states which had made the biggest drive to increase their numbers suffered the highest drop-out rate, while those which had shown less enthusiasm managed to keep the pupils who had enrolled because facilities were not so stretched.

But even though progress is now being made with putting right many of the failings of UPE, the biggest question has yet to be answered: what is to become of UPE products? Will there be sufficient opportunities for them to pursue their studies at secondary schools or are there enough openings in industry and the civil service to satisfy their raised expectations?

The answer most experts give now is emphatically "no." It was with that in mind that the Implementation Committee produced its recommendations for the future of the country's entire educational system. On the basis of that report, a White Paper was expected to be published before October 1 which would give shape to the present educational patchwork.

Crucial to the new scheme will be the number of openings available for UPE products to go to secondary schools when the first "batch" completes primary education under the new scheme in 1982. The Third National Development Plan had foreseen a situation where 40 per cent of those who completed primary could go on to secondary. But in a more realistically open-ended statement, the national policy document simply says that "a substantial number of primary school leavers will have access to junior secondary education and facilities will be provided for this."

Secondary education has long been the "Aunt Sally" of the whole system, with only a small proportion of the tiny number of children who complete primary school actually making it to the secondary school. The secondary schools are often much further away for children in the rural areas, and although this year's budget made tuition fees free for secondary school, the parents must pay heavily for uniform, books and other items.

Under the new scheme proposed in the policy document, secondary education would be divided into two cycles of three years each. After completing junior secondary school there would be a further element of selection before some went on to senior secondary school. The problem the incoming civilian Government is likely to face is similar to that of UPE. With only two years to go before the first UPE products start looking for secondary school places, only a very few states, using their own initiative, have begun to prepare. It will take a considerable commitment on the part of the new administration to make sure that the transition is a smooth one, and that the achievements of UPE are not wasted.

M.W.

Expansion

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future government. But they are also quick to defend local interests in any debate over "open competition" versus "fair shares for the underprivileged States" in respect of student admissions or "university rights." They are very volatile and terribly divided by their dual role of "elites-in-training" and would-be leaders of a populist Left. What is certain has been their leading role over the past ten years as detonators of crisis against successive governments. No wonder that the present party leaders approach them with care.

Visitors to Nigeria usually return with admiration for the way the universities have tried to fulfil the promise of their origins — mixed with dismay over the actual measure of their achievement. Research is rarely at a high level, teaching is often extremely difficult. Dependence on recruitment for staff overseas, coupled with the expedience of short-term appointments, creates its own problems. Very likely the need is for centres — or one main centre — of excellence. But to define the centre of Nigerian academic life is as dangerous as trying to locate the main weight of political power. For my own part, admiration outweighs doubt.

Moreover, what may appear to be abject institutions hide within them, it seems, a capacity for independent growth once the conditions are established for its regeneration. And given only half a chance, university teachers move quickly to try to control their own affairs. The ivory tower looks frail, is easily condemned, and may even be occupied from time to by elements hostile to it. But the apparent weakness of its ability to resist is usually matched in Nigeria by the inconstancy of its critics.

The need for skilled professionals and the spell cast over the elites by the promise of higher education seem likely to ensure that university education will grow and expand no matter how high the cost. Universities are very resilient, and resilience is a word easily applied to Nigeria!

Dennis Austin

Investment

A cold climate

THE EYES of many potential investors will be firmly fixed on Nigeria's incoming civilian Government during the next few months. They will want to see if the encouraging noises which have been made in the run-up to the elections about attracting foreign investment are actually translated into positive measures.

Businessmen and bankers agree that direct investment by foreign companies, which dwindled to a trickle over the past few years, has now dried up completely. Although there is no statistical evidence to back up such an assertion, they argue that a variety of Government measures, such as the indigenisation decrees, coupled with the atmosphere of political uncertainty surrounding the return to civilian rule, have frightened investors away.

But the enormous potential of the Nigerian market makes it equally certain that with the right incentives and the right climate for investment, companies would be happy to come in.

For British companies, which account for an estimated 50 per cent of total foreign investment, there is the added headache of the recent nationalisation of British Petroleum's interests in the country. There are good reasons for thinking that the action against BP was an isolated move because of its particular South African trading links, but other British companies felt the political axe was hanging over them as well and do not feel out of danger yet.

Americans are also uneasy about investing. Following General Obasanjo's visit to the U.S. in 1977 it was hoped that many more American companies would invest in Nigeria, out despite the attractions of an immense domestic market backed with oil wealth, not a single sizeable American company actually committed itself to investing, although a number did come to Nigeria to look at the opportunities, especially in motor parts, construction, fertiliser manufacturing and agri-business.

Nigeria has gone some way to make the market more attractive, offering tax holidays and protection for nascent industries by restricting or banning exports once the company has set up.

However, manufacturers say that the incentives are not as attractive as they can find in other countries. Added to that, the Government has been slow in sticking to its promise of protection, particularly in the motor industry. The last major investment in the country from outside came from four motor manufacturers—British Leyland, Steyr, Fiat and Mercedes Benz—but they have yet to see the Government's promised restrictions on imports implemented.

Decrees

Top of the list of disincentives for new investments are the two indigenisation decrees, which have taken Nigerian participation in many foreign companies to 60 per cent. The Nigerians reply that the decrees are often misinterpreted as an attempt to force foreigners out, rather than allow Nigerians in. They say that the principle advantage for foreign companies is that they are no longer regarded as a foreign appendage to the rest of the country, and that the many thousands of Nigerians who now hold shares in foreign companies comprise a very vocal lobby which is anxious to protect its investment against Government interference.

Most people accept that it is perfectly understandable for the Nigerians to want to be in charge of their own economy and point out that indigenisation was far less painful than the outright nationalisation which other African countries practised. What is more, opinion is divided over how much indigenisation has actually affected the day-to-day running of companies. Some managers say it has not affected their executive control at all, while others say they must now serve two masters—their Nigerian board of directors and the parent company.

There was certainly a lot of criticism about the way the indigenisation exercise was carried out. Many companies complained that the Nigerian Securities and Exchange Commission undervalued their shares when they were obliged to go public. Others were critical because they were forced to make offers for subscription instead of offers for sale.

The Nigerians answer the first criticism by saying that the tiny capital base and the enormous profits which the companies had already made in Nigeria meant that any share valuation was "jam on the bread." They answer the second criticism by saying that the indigenisation exercise was not designed to force companies to "get their money and run" but to encourage them to make more of a commitment to the country.

In all, about 1,200 companies had to comply with the decree and the vast majority of them did so through private placements. The capital market had a lot of difficulty absorbing all the new equity, but most people found that their worst fears about the exercise were not realised. Certainly, the 90-odd companies which went public, or sold more equity if they were already quoted on the exchange, managed to sell all their new issues, thanks in part to a relaxation of restrictions on maximum equity holdings which attracted the institutional investor into the market for the first time.

The exercise is now almost history, with only a few more companies still offering shares. But potential new investors have been made even more cautious. To encourage new companies, the Government has lifted its insistence that they indigenise straight away. They now have a two-year grace period before they must comply.

Indigenisation aside, businessmen point to a long list of problems which harm the investment climate. The first is the bureaucracy itself, blamed for being slow in processing documents and being inefficient and ill-informed when dealing with inquiries about investment.

Administrative inefficiency is also partly blamed for the slowness with which remittances for both companies and individuals are processed. Government restrictions on the rate of remittances are another headache and have caused especial displeasure for some companies which will not be able to repatriate all their proceeds from the indigenisation exercise for nearly a decade, unless the regulations are changed.

Investors also complain about some of the Government's price controls, which they say could leave them with rising costs and falling margins. There is also widespread fear that a wages explosion would follow the installation of a new Government, even though the incoming administration has given assurances that it will keep as tight a rein as possibly on wage increases.

Companies also worry at the tightness of expatriate quotas when they are finding it difficult to get the right trained manpower and even appropriate business partners in Nigeria.

On top of all these problems are those of communications, both internationally and domestically. Although the Government is making a big push with improving its telecommunications system, it is still a big problem for companies which need to make regular contact with the outside world.

M.W.

Stock market

System under strain

IT HAS been a traumatic year for the Nigerian Stock Exchange. The flood of companies seeking public quotation in order to comply with the second Nigerian, Enterprises Promotion Decree put an immense strain on the physical handling capability of the exchange and stretched the market to the maximum in its ability to absorb the volume of new issues.

Although there were fears that there would be massive undersubscription, the market showed remarkable resilience in taking the new equity and the private placements. What makes the relative success of the venture all the more surprising, is that at the same time as companies were queueing up to comply with the decree and the Nigerian economy was experiencing one of its worst crises for years, the market provided another N60 to N70m for non-indigenisation issues.

The fact that the capital market was overstretched was clearly seen in the increased long-term rates and the need to warehouse a number of the new issues once they had complied with the decree by producing a prospectus and making all the necessary preparations for going to the market. But up to last month, only eight companies were still waiting to have all their shares taken up.

Deadline

In order to comply with the decree about 50 companies had floated 215.3m shares valued at N165m by the deadline of December 31, 1978. Larger companies were obliged under the decree to pass through the exchange, and many of them were ordered to make offers for subscription rather than offers for sale. In all, about 90 companies will have used the exchange to comply with the decree. The smaller companies preferred private placements, though as the capital market became tight they had increasing difficulties finding takers.

In the end, it required a certain amount of flexibility on the part of the authorities to guarantee a smooth operation. For a start, although subscription lists were officially open for only three weeks, some of them stayed open for anything up to six months. And institutional investors were allowed into the market by unofficially removing the upper limits for equity allotments. The decree had stated that no single person or institution could hold more than N50,000, or 5 per cent of the equity in any one company, whichever was the larger.

The intention was to give the small investor a good chance of getting a slice of the country's wealth. But it effectively put the institutions and even some of the bigger individual investors out of the market because the allotments were too small. Once it became apparent that many of the issues would be undersubscribed the institutions were allowed to come in and take up the rest of the subscription.

At the same time, the decree was very successful in bringing the small investor into the market. Although companies complained that they ended up with an unwieldy register of shareholders — as many as 137,000 in the case of one of the biggest companies — they now have a vocal and potentially powerful backing from the public for any future Government action. No reliable statistics exist for how many Nigerians now hold an equity stake but the figure is between ½m and 1m.

Considering the numbers it is hardly surprising that delivery time was still slow, averaging eight weeks but sometimes dragging on for up to three months. Delivery was helped by the arrival of two new registrars in the market —UAC and Daily Times—and by the computerisation programme carried out by some of the existing registrars. Previously, everything had been done by hand and people complained of waiting six months before they got their share certificates because of the laborious manual process.

Delivery was also helped by the opening of the branch exchange in the northern city of Kaduna last year. It was hoped that the Kaduna exchange would attract some of the large quantity of funds in the north into the capital market. Although it has been successful to some extent, it has been dogged by the same problems of poor communication and poor understanding of the market that has faced the Lagos exchange since it opened. A second branch exchange should be operating in Port Harcourt by the beginning of next year.

For the moment, arbitrage is not a problem because the number of shares being traded on the secondary market is still very small and the price differential is at most only one or two kobos. The branch exchanges are seen far more as part of the long term integration of the exchange as a really effective part of the capital market.

But although many companies have been impressed, or at least relieved, by the way the exchange has handled its part of indigenisation and by the way in which the market reacted, there has still been considerable criticism of the role of the Nigerian Securities and Exchange Commission (NSEC) during the period.

The decree governing the NSEC has still not been promulgated, although it has been in action for more than a year, but its role is generally supposed to be analogous to the United States Securities and Exchange Commission. It has

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Banking

Credit still in short supply

FOR THE banking sector, one of the biggest events of the past year has been the decision by both Barclays Bank of Nigeria and Standard Bank of Nigeria to change their names. Barclays became Union Bank following apparent Government pressure on Barclays International to sell half its remaining equity in the Nigerian bank to the public.

Standard Bank, which has become First Bank, is one of a number of banks with foreign interests which may also change their names. The root cause, according to bankers, is that the tightening of expatriate quotas, the 60 per cent Nigerian holding and the Government's restrictions on the commercial banks no longer allow the management all the control they want of the bank's affairs.

In general, however, the year—during which the Central Bank of Nigeria celebrated its 20th anniversary—has been one without major upset, although the Government's continued restrictive financial policies have made it another tight year for the banks. Liquidity eased slightly thanks to the low level of demand for import financing and new Government measures, but the banks remained under pressure to abide by credit guidelines and expand their rural banking facilities.

The 1979-80 budget pegged the increase in total commercial bank loans and advances to the same level as the previous year, which was 30 per cent for large banks and 40 per cent for small banks. But the ceiling is expected to create fewer problems than last year because of the general recession in the economy and a more cautious approach to lending by the banks.

To ease banks' liquidity problems, the budget allowed the banks a 50 per cent reduction in their cash reserve requirements and the phasing out of stabilisation securities. But some of the banks, especially the merchant banks, ran into problems meeting the Government's minimum lending requirements to agriculture and residential construction.

For the commercial banks there was also the headache of the new rural branches. The Government decided to order banks to open more rural branches after the publication of a report in 1977 on the financial system by a committee led by Dr. Pius Okigbo. This recommended that a further 184 rural branches be opened. The main complaint against the commercial banks was that of the 470-odd branches around the country, around 100 of them were in Lagos state alone, while states like Niger, Benue and Gongola had only 10 branches each. Under the new policy, a bank will be sited at every local government authority headquarters and in every semi-urban centre with a population of more than 30,000.

A report out in March showed that most of the commercial banks were ahead of schedule in their plans for opening rural branches and nearly 50 per cent of the total required were already operating. The big banks had done best, with First Bank (Standard Bank) having opened 22 of its allocation of 38; Union Bank (Barclays Bank) having completed 18 out of its total of 27, and the United Bank for Africa having opened 15 of its 27 branches. The smaller banks had also made progress with their new branches.

A major part of the Government's rationale in getting more rural branches was the feeling that the banks were not trying hard enough to lend to agriculture. It has been a conspicuous failing in the Government's plans for a revival of the agricultural export sector of the Nigerian economy that credit to the farmer has been scarce.

Collateral

The commercial banks reply that the farmer's creditworthiness is notoriously low because of his lack of understanding of the system of credit and his inability to provide collateral for loans. Nonetheless, the Government has imposed a minimum lending requirement of 6 per cent of total commercial bank credit which must go to the agricultural sector. In most cases the commercial banks have been able to stay within the guidelines, but it has been harder for the merchant banks to find the right sort of customer.

In order to enforce its guidelines, the Government also said that any bank that failed to lend the minimum must pay the difference into a non-interest-bearing account with the Central Bank. Many banks actually preferred to do that rather than lose their money completely on a bad loan, so the 1979-80 budget introduced a new measure. Now, banks which lend below the stipulated minimum will have to pay the difference to the Nigerian Co-operative and Agricultural Bank, which will then make loans on their behalf.

The same problems have been encountered over meeting the Government's minimum lending requirements to the residential property sector. There has been a distinct shortage of worthwhile investment opportunities, according to bankers, and it is a sector normally alive with the kind of entrepreneur who does not give the banks much faith in recovering their debt. Any money which the banks fail to lend up to the credit minimum now has to be paid to the Federal Mortgage Bank.

The Government has shown itself ever more determined to enforce the credit guidelines and in the last budget even increased the minimum lending to the agricultural sector by the merchant banks from 4 to 5 per cent, while a new agro-allied sub-sector was to receive 4 per cent of total credit. For the commercial banks, the agro-allied sub-sector has been included in the manufacturing sector where the minimum credit level has been raised from 32 per cent to 36 per cent. Of this, 3 per cent will go to the agro-allied sub-sector.

The Government's insistence on lending to what most banks consider high risk areas has come at a time when the banks have had to be more cautious in the general lending policies than they were during the boom period after the 1974 oil price rise. Now, with recession still biting, there is much greater risk of bankruptcies, and banks are taking a closer look at new potential borrowers.

There was an attempt to give banks reassurance in their lending to the agricultural sector last year with the introduction of a N100m Agricultural Credit Guarantee Scheme. The banks were to receive a guarantee for 75 of their advances up to a maximum of N1m. But the Government insisted that to qualify for the guarantee, the banks had to lend at 6 per cent interest, which for many of them was less than they were paying for their money. The scheme has not been a great success.

Despite all the difficulties, however, bank credit has continued to grow at a respectable rate. The Central Bank of Nigeria monthly report for May 1979 shows total commercial bank loans and advances standing at N4.1bn, a rise of 28.3 per cent over the previous year. The biggest increases were in production, where loans were up 36.2 per cent on the previous year, and general commerce, where the increase was 22 per cent.

The bank overdraft remains the most common source of finance in Nigeria. Companies have previously been dependent on the banks for their short-term money for expansion, but over the past year it has been tiding them over with working capital because of slow payments from the Government. Companies have been waiting months and sometimes years for payments for Government contracts, and they have run into persistent cashflow problems.

Earlier this year, the introduction of pre-shipment inspection and the Form M regulations caused a big hiccup in the payments pipeline. Only now, the banks say, are companies feeling a little more secure about future finance. Particularly during the acute liquidity crunch of last year, companies were expediting credit months ahead just to make sure they would have it if necessary.

Ironically, the banks should benefit to some extent from the troubles of the past years, for many companies have had to shift from an open account basis for their transactions to letters of credit, at the insistence of suppliers. The commercial banks have kept profits up largely on the fee structure which allows them to charge 2¼ per cent on a letter of credit—welcome income when lending is less and less profitable.

The merchant banks have been especially glad of the income since they have found it difficult to fulfil the Government's expectations of what their role should be. Up to now they have shown themselves rather better at moving money and faster at opening letters of credit than the commercial banks. But they have not had much success with medium term loans, putting together loan packages and leasing, which the Government would like them to do.

One or two of the merchant banks have tried to fill the gap between the commercial banks and the state-owned development banks, but their inability to coax medium and long-term money out of the investor has hampered them.

Barclays has had its own problems. Apparent Government pressure on Barclays International to sell 50 per cent of its remaining 40 per cent equity stake in Barclays Nigeria followed a Government protest at the bank's South African connections.

At the same time as Barclays offered a further 20 per cent of the equity for sale to the Nigerian public, it changed its name to Union Bank. As a mark of confidence in the bank, however, the offer for sale was oversubscribed one and a half times even though the capital market was still fairly stretched.

Fresh

With Barclays decreasing its involvement, bankers say there is a need for more banks to be allowed in to put fresh blood into the system and increase competition. Yet the Government has been noticeably slow in approving new banks. Banking licences can take up to three years to obtain, although there are banks anxious to enter the Nigerian market.

At present there are 19 commercial banks operating in Nigeria of which the three biggest in terms of deposits all have overseas shareholdings—First Bank, Union Bank and United Bank for Africa (UBA). There are 11 wholly indigenous banks which are mainly owned by the state governments.

There are five merchant banks of which two are predominantly locally owned—Investment Company of Nigeria (ICON) and Nigerian Acceptances. The others are Chase Merchant Bank International, International Merchant Bank Nigeria (formerly First National Bank of Chicago) and Nigeria Merchant Bank (formerly UDT).

Finally, there are the banks owned by the federal Government, which provide mainly long term finance—The Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry and the Nigerian Agricultural Bank. All of them also contribute to the equity of a large number of companies.

M.W.

Strain

CONTINUED FROM PREVIOUS PAGE

been widely criticised for undervaluing the shares when a company has come forward for public quotation.

There were always two main reasons for companies' reluctance to come to the market through the exchange—the high cost of raising finance that way and the fear that the NSEC would undervalue the issue. The NSEC's reply is that it assesses companies on their past performance and many of them preferred to stay heavily under-capitalised in the past so that more profits were available for repatriation.

It was in an effort to stop that, according to the Government, that dividend restraint was introduced limiting the dividend to 20 per cent of net paid-up capital. The intention was to encourage the company to increase its capital base and thereby increase the amount available for dividends. The NSEC said it also wanted to encourage companies to expand their capital base when it instructed them to make an offer for subscription in order to comply with the latest decree instead of simply an offer for sale.

The Nigerian authorities deny that it is proving costly to seek funds through the exchange. Despite reports that some companies paid out 25 per cent of the gross proceeds of the sale of shares in order to go through the market, the exchange itself says the cost was nearer 2½-3½ per cent, although the smaller the issue the greater the proportionate cost.

The exchange says it can prove its point by showing that companies have been coming through them to tap the capital market for funds not related to the decree. During the past year there have been two rights issues worth nearly N 15m, and other companies are floating debentures as a competitive way of raising capital.

Faster

Certainly, the indigenisation decrees have forced the exchange to develop faster and more aggressively than it would ever have done otherwise. Once the indigenisation issues are completed there is also no doubt that it will never be the same again. The rush of shares in the market have encouraged the development of many vital elements in its process of becoming a fully fledged part of the capital market.

The number of stockbrokers has grown from two to eight and there is growing competition among them. There has also been a growing underwriting business as some of the stocks looked as though they would never be fully subscribed. Understanding remains poor of what has to be done, however, and it is still not possible for a stockbroker to make a living without being attached to something else—say a merchant bank.

The big problem remains, the slow growth of the secondary market. Despite the rapid increase in the equity available, the liquidity crunch which forced some investors to sell and the dividend restraint which made stocks less attractive to some people, the secondary market in equities still represents only 1 per cent a year of the entire volume of equities quoted.

There is still an attitude of buy and hold among investors who do not have sufficient alternative forms of investment to encourage them to sell. There is also so little fluctuation in the price of the shares that it would be hard for a speculator to make a decent margin. For a marginal investor, transaction costs would make it unprofitable for him to buy and sell over a short period.

So most bankers believe that in order to encourage a real secondary market it would be necessary to relax many of the controls which are now exercised on the exchange and allow the shares to float as freely as they can. In order to do that, there would have to be a considerable improvement in the present information lag.

M.W.

Ports

Slump in traffic

THE NIGERIAN ports need more ships to keep them busy, an unbelievable situation for anyone who witnessed the staggering congestion of barely four years ago—one of the most visible signs of the maladministration which led to the downfall of the Gowon Government.

In late 1975, when the Muhammed-Obasanjo administration had just embarked on its programme to clear up some of the mess of the immediate post-civil war years, nearly 500 ships were queueing up off Nigerian shores, waiting months for a berth and earning vast sums in demurrage while they waited.

Today anyone driving down the renovated marina harbour road of Lagos Island can look across to the Apapa port complex and clearly see stretches of empty dockside between the unloading freighters.

Many of the specially created midstream offloading points laid out in the harbour are today similarly waiting for ships to moor between their buoys. The situation is the same in the other ports spaced eastwards along the coast towards neighbouring Cameroun.

Mainly for technical reasons (as people learn how to cope with the bureaucratic aspects of the strict new customs and banking regulations) the harbours have begun to fill up again during the past few weeks, but with the long list of banned and licensed imports drawn up both to conserve foreign exchange and encourage transfer of technology, no major change in the situation is expected before the beginning of next year. At the end of the first quarter of the current year, as shippers and importers alike felt the full bite of the latest restrictions, the only ships visible at sea from the Lagos bar were delinquent vessels. Last month there were once again a small number waiting in line to berth. But even so waiting time would be only a matter of days.

The Nigerian Ports Authority (NPA), which has spent vast sums of Government money to construct, redevelop and expand the various ports it administers, is not the only one to see its income drop as a result of recent developments.

Shipping companies, freight agencies and stevedoring organisations alike have also suffered, with workers being laid off in all related fields. Whereas only 18 months ago a shipping agency's major concern would have been to make sure the obligatory ship's entry notice (SEN) had been issued to the master of a Nigeria-bound ship to guarantee his authorised entry into Nigerian waters, and subsequently to obtain a berth, today's problem centres on the search for an adequate share of whatever shipping is still available.

Example

One noticeable example of the changed situation is that a ro-ro vessel, already privileged in more difficult days, can now expect to sail straight alongside an empty berth, and, with a normal car cargo, aim to head back out to sea on the homeward voyage within 24 hours.

The greatest delays in harbour occur with those ships which stay behind to load the diminishing quantity of Nigeria's non-petroleum commodities, which make up an increasingly small part of the country's exports.

The congestion which was allowed to build up from late 1974, largely due to massive and uncoordinated ordering of bulk cement for the Ministry of Defence, is now a part of recent Nigerian history, as are the considerable efforts which were deployed by the incoming military Government first to end the abuses of the time and later to solve the whole problem of port congestion in a rapidly developing oil-exporting country.

Since those efforts began, the NPA has more than doubled the number of berths open to international use, starting with the Tin Can Island port near to Apapa, which made available an additional 2,500 metres of quay, or 10 berths, at the end of 1977, only one and a half years after clearing work began on the mangrove island in Badagry Creek. Three further projects initiated by the current board of the NPA have been completed this year and contracts are being awarded for the $175m first phase of the Onne deep port in Rivers state, which will eventually become the deepest port in the country.

Before the commissioning of the $300m Tin Can Island port, in September 1977, the number of ships waiting to berth stood at 92, with an average turnround time of 33 days. By December the average daily number of waiting ships had fallen to 61 and turn round time dropped to 20 days.

Meanwhile, work was already underway on the $120m Apapa third wharf extension, which was commissioned last April to provide an extra 1,600 metres of quay, or six berths, particularly geared for container traffic. (This project was completed with World Bank Financing.)

At the most Eastern Nigerian sea city of Calabar, 860 metres of quay (four berths) have been brought into use on a new site, while the NPA has taken over the old Palm Line agencies' McIver and Jackson wharves, which are being modernised.

In the delta area, the heart of Nigeria's oil land, a new six-berth port has been built at Warri beside the old single berth port. With dredging of the access channel completed, this will be able to accept partially laden 20,000 dwt vessels or fully loaded ships of 15,000 tonnes. The NPA chairman, Brig. Godwin Ally, envisages traffic, which will serve the Nigerian hinterland along the river Niger.

In Rivers state, Port Harcourt can offer five berths, while the Okrika jetty is being expanded to increase the handling speed of refined petroleum products.

The projected Onne port was chosen to provide potentially over 50 berths. The long-term objective is for it to take bulk carriers to bring in coking coal and iron ore for the Ajaokuta iron and steel project as well as to export Nigerian coal.

The heavy Government investment in ports, which reflected the direct interest of the Supreme Military Council in solving what had become a crippling problem, took the NPA from a deficit budget to $30m in the 1975 fiscal year to an operational profit of almost $100m in the 1978 fiscal year. However, the ports authority is likely to fall short of its target of some $50m surplus this year as a result of the sharp drop in shipping movements through the ports.

With the rapid expansion of its facilities the NPA is hoping to discourage non-conference line shipping — 12 of the 14 main berths at Apapa are reserved for members of conference lines—and attract more efficient ships to its quays.

Much of the more recent development has been geared to handling container traffic, and the relative emptiness of the new Lily Pond container depot in Lagos, once a chaotic example of the turmoil the authority was going through in its fight against congestion, is another sign of the current slump in port activities.

Welcome

But the slump has provided agencies a welcome opportunity to look for the many mislaid empty containers. Less than a year ago, with container traffic reaching a peak, the ports handled over 15,000 in one month (two-way traffic) before the number of movements started to fall off.

The advantages of container traffic in tropical conditions are immediately evident during the long rainy season when the hatches of traditional freighters and tramps have to be closed during the heavy storms.

To meet expansion requirements, and perhaps even more to improve its poor reputation and record for security, the NPA has tightened controls at all its ports and embarked on a retraining programme for security personnel. While pilfering remains a problem, the reports some two years ago of regular large-scale smuggling and piracy are no longer current.

By a Correspondent

Aviation

The Dutch connection

THE FIRST-TIME traveller to Nigeria, arriving in Lagos via the new Murtala Muhammed international airport, could be forgiven for thinking that all is well with aviation in the country.

Determined efforts are being made to prevent the new airport building and services falling into the notorious bad habits of the overcrowded, overstretched and disorganised old terminal, which has now been converted into a much-needed expanded domestic arrival and departure building. But behind the facade of the new airport the aviation industry in Nigeria still faces many problems—as indicated by the Government's decision in June to hand the management of Nigeria Airways over to the Dutch airline KLM.

Within Nigeria Airways itself major changes for the better are likely to follow the signing of the management contract with KLM. Over the past few years aviation in Nigeria has developed close links with the Netherlands. The new international airport in Lagos is a copy of Amsterdam's Schiphol, several of the larger regional airports have been expanded or rebuilt under the supervision of Dutch consultants, the larger part of Nigeria Airways' domestic fleet consists of Fokker Friendships and the jet Fokker F28. KLM already had a contract to service the Airways' wide-bodied long-distance jets.

Surprise

However, the decision to call in the Dutch airline to nurse Nigeria Airways back to health took everyone by surprise including, apparently, KLM management. The Federal Commissioner for Civil Aviation, Alhaji Balarabe Ismaila, announced in late June that the Nigeria Airways Board had been dissolved and that the Dutch company had been appointed to run the airline for a two-year period.

The announcement was seen later as having been made somewhat hastily, since KLM, which had been approached only a few days earlier, was not prepared to take on an airline without a clear definition of its mandate and the terms of its contract.

There were also reports that adverse public reaction to "foreign" management of the Airways — following minor grumbling when the Indian organisation RITES had earlier been given a management contract for the Railways—did little to encourage the Dutch to sign on the spot. The management contract, which runs for approximately two years, was finally signed last Tuesday.

While reorganisation of the Airways is now certain to take place, it is already behind the schedule which the Nigerian Government had hoped to meet.

But whatever the delay caused by the prolonged negotiations, Nigeria Airways is bound to benefit from the move. The Airways has been one of the most troubled corporations in the country, and the many and varied earlier attempts to get it settled down have all ultimately produced few enduring improvements. The main problems have been squabbles with both the Ministry of Civil Aviation and the more recently created Nigerian Airports Authority and, in particular, low morale within the corporation. The question of poor morale, often the product of high-level disputes, has affected both flying crew and ground personnel, with the passenger inevitably the ultimate loser. Whether the source of dissatisfaction be the arbitrary unfavourable adjustment of conditions of service of flight-deck crew, petty jealousies in middle-level management or unpopular executive appointments, the traveller is the first to suffer its effects.

Leaving aside the problem of intermittent shortage of aviation fuel (a question of distribution which the authorities hope will be solved once and for all after a new national network of petroleum products depots is finally brought on line), the airline has all but grounded itself on several occasions in the past year because of industrial disputes.

In more normal conditions Nigeria Airways should be considerably better off than many of the other younger airlines, since both the size and range of its fleet—which consists of DC10s, Boeing 707s, 727s and 737s as well as the two versions of the Fokker—provide it with great flexibility.

A few years ago, two Nigerian Air Force Fokker Friendships were loaned to the Airways while it awaited delivery of its own new aircraft. Recently, this co-operation between the two services took on a new form: the serving NAF group captain appointed as interim

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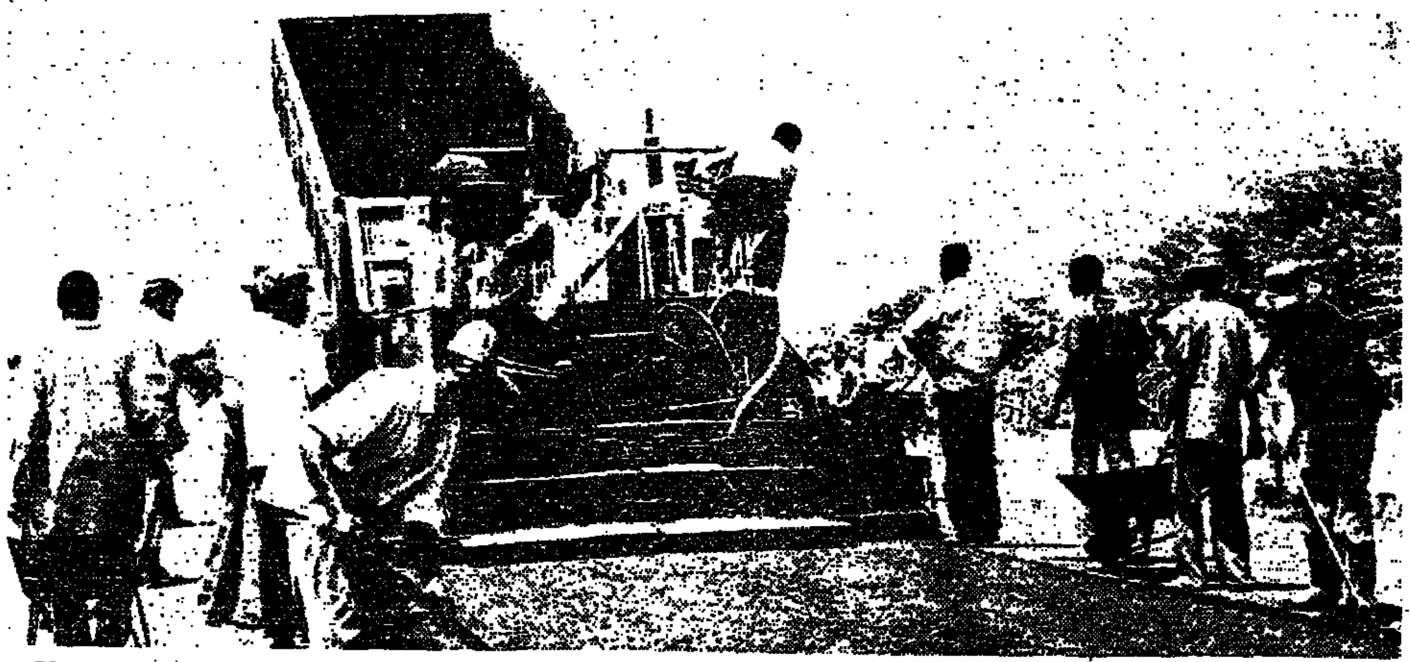

Nigeria has made spectacular progress with its road building programme but there is concern over the condition of many existing roads, particularly in Lagos

Roads

In need of repair

A RECENT editorial in the "Daily Times" newspaper headlined "Neglect of Federal Roads" read: "It is alarming that so-called super-highways, which were constructed at public expense and which were completed about 24 months ago, have fallen into such a state of disrepair that taxpayers are wondering about the quality of road construction work done, particularly in this country, by an assortment of foreign civil engineering companies which continue to do highly profitable business on Nigerian roads."

Foreign companies are the traditional whipping boys of the Nigerian Press when it comes to the state of the roads, either on the grounds that they are digging holes to put in sewage or telephone lines or they have not built roads of good enough standards in the first place. But although there might be instances where such criticism is justified, the companies answer that the problems lie either with inadequate specifications for the job or with insufficient maintenance once the roads are completed.

Certainly, no motorist can be happy as he bumps his way through the potholes of Lagos or many of the other major cities in Nigeria. It has come as a great relief to the inhabitants of the capital that a contract has now been agreed to repair 120 of the roads in Lagos and its environs.

But despite the criticisms, the progress which Nigeria has made with its urban and trunk roads has been spectacular. The third national development plan for 1975-80 estimated that state and federal governments would between them spend N5.34bn during the five-year period. The federal Government would be responsible for 27,000 km of roads, including 16,000 km which it took over from the states in order to upgrade them.

In fact, the Federal Ministry of Works and Housing announced recently that N2.5bn had been spent on roads since 1975 and that they were working on a plan for installing seven major north-south and east-west highways, as well as completing the Nigerian end of three international highways which will eventually link large areas of the continent.

Although traffic snarl-ups in Lagos itself are by no means a thing of the past, it is now far easier to get out of the city. People who even 12 months ago would never have dreamed of leaving the city for the weekend now make regular trips to other parts of the federation.

One of the most impressive roads in West Africa is the new four-lane toll highway which links Lagos and Ibadan. That will soon be part of one of Nigeria's key long distance roads: once a section between Ilorin and Jebba is completed, there will be a continuous "A" road running from Lagos through Ibadan, Ilorin, Kontagora, Sokoto and Illela.

Terminal

The town of Kongolam will eventually form the southern terminal of the trans-Sahara highway, which will join Algiers with Nigeria. A second major Nigerian highway will link Kongolam with the port of Warri via Kaduna and Benin.

Nowhere is the speed and scale of the development more evident than in Lagos itself, where a growing complex of flyovers and bridges may eventually make Spaghetti Junction look like a mere hors d'oeuvres. Within a matter of years the traffic chaos of the capital has been considerably eased. The flow should be even better by the time the projects are all finished in 1990.

Much of the successful development has been due to one company—Julius Berger. Although many international construction companies are represented outside the city, Lagos has really been Berger's baby. It has been responsible for completing most of the ring-road and link roads with other main arteries in the country in remarkably quick time.

The new Carter bridge—linking Lagos island with the mainland—opened this year, and a second bridge being built by Berger is now curving out across the Lagos lagoon. This should further improve the once impossible flow of traffic between the mainland and the islands. More remains to be done, however, and provisional estimates for the cost of the entire Lagos road network, due to be completed in 1990, run to N2.3bn.

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A third major highway will run from Port Harcourt, linking Enugu, Makurdi, Jos, Bauchi, Maiduguri and Gambaru. This is of particular importance for Port Harcourt, the country's second biggest port, which badly needs improved communications with the rest of the country. One of the most immediate developments will be a N252 dual carriageway between Port Harcourt and Enugu.

Nigeria is anxious to link its road system with other parts of the continent. It will be the junction for three of the United Nations Economic Commission for Africa's continental highway projects. As well as the trans-Saharan route from Algiers, Nigeria will be linked across the continent by the trans-Saharan highway from Lagos to Mombasa in Kenya and the West African coastal highway which will link Lagos with Dakar in Senegal.

The West African link is nearest to completion. It only awaits the completion of part of the dual carriageway through the Republic of Benin. Although not all of the road is of the same uniform high standard, it should be a considerable impetus for trade between the West African countries—especially if the operation of the customs posts along the route can be improved.

Even though Nigeria has been constructing roads at a frenetic pace, the country still faces big problems with maintenance of existing highways. It was a worry which was recognised by the Third Development Plan which said that: "For an investment of the magnitude earmarked for road development, it is essential that a high-powered maintenance organisation be set up to maintain these roads to a high standard, if the investment is not to go to waste."

Such a high-powered organisation is certainly not in evidence in Lagos, where the potholes get daily worse and worse. In the words of the "Daily Times" editorial: "The Federal Commissioner for Works and the appropriate technocrat in his ministry should immediately start their inspection of newly completed federal highways . . . and see for themselves the wretched state of a number of federal roads throughout the country."

M.W.

Connection

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administrator, following the dissolution of the board, led an Air Force crew flying a military Hercules to clear a backlog of passengers travelling between Lagos and eastern Nigeria. (The backlog in this case was not the fault of the airline but the result of a collapsed bridge on one of the main roads leading to Lagos.)

The Airways has also been making laudable attempts to improve its passenger-relations record. In-flight service from cabin crews is less abrupt than it was a year ago and, on the ground, strenuous efforts are being made to end the over-booking which left many a passenger with a valid ticket stranded in the terminal as his flight took off. Ground staff have started training on the use of computers. These are to be introduced to end familiar airport disputes over whose name should or should not appear on the manifest of an overbooked flight.

Apart from its international destinations, which, as well as the standard European and West African calls, include New York, Nairobi and Jeddah, the Airways runs a domestic service to most of the state capitals where new or re-developed airports are being taken over by the Nigerian Airports Authority.

Until recently, Kano was the only other international airport in the country. The distance between the two locations forced aircraft heading to Lagos to divert to neighbouring countries in the event of problems in Lagos. Several other regional airports have now been upgraded to international standards, and in future diversions will be made to Ilorin or Port Harcourt rather than to Cotonou or Accra.

Of the 16 main airports, several are now capable of accepting jumbo jets, the latest being Port Harcourt, which was opened last month. During the commissioning ceremony, Alhaji Ismaila noted that his ministry had still to satisfy the needs of both passenger and freight traffic in the country, largely because of the ever-increasing demand.

Kaduna and Sokoto airports are also being upgraded, while a new airport has recently been opened at Jos in the centre of the country. The runways at Benin, Enugu and Calabar have been lengthened and strengthened to accept up to the Boeing 737 range of aircraft. Similar work is under-way at Ibadan and Yola.

There are also plans to introduce a series of feeder routes to the regional airports and introduce short-haul wide-bodied jets to carry the additional load between the major cities, but a final decision on this has yet to be taken.

Reports during the past year that the Nigeria Airways' monopoly on scheduled domestic flights was to be broken were strongly denied by the ministry, but such a possibility is not to be excluded under a new civilian Government.

Meanwhile, the expansion of air freight traffic into Nigeria—already greatly reduced by the general cutback on imports and the decongestion of the ports—has been called into question by the reported decision to halt the airlift from Lyons of knocked-down parts for the Peugeot vehicle assembly plant in Kaduna.

The airlift, which was largely covered by UTA's 10 weekly Boeing 747 flights to Kano, was to have switched to Kaduna once the runway there was ready for jumbo jets. Transporters argue that a change back to sea freight would produce no economies, but with the outgoing Government apparently eager to make greater use of the greatly expanded and currently underworked ports, the immediate future of the air freight sector remains unclear.

By a Correspondent

Railways

Indians take over

WHEN THE Federal Military Government suddenly sacked the entire top management of Nigerian railways last year and announced that a foreign management team was coming in to take over, there were loud cries of protest from the public. Yet the Indian team which began arriving this year has already achieved a remarkable turnround in the fortunes of the railways, and they have promised to turn the persistently large operating deficits of the past decade into a profit over the next three years.

Most Nigerians would accept that the railways had reached rock bottom in terms of reliability and standard of service before the Indian team took over. Despite the fact that the former management had to contend with the problems of a single line narrow gauge railway built only to carry goods from the interior to the ports, the problems had been compounded with years of poor maintenance and bad management.

The Indian contract was negotiated with Rail India Technical and Economic Services (Rites) and lasts for three years. Rites is a wholly owned subsidiary of the Indian Railways, which is a public corporation. The Rites team has a capital budget of N30m for the first year and N40 for the next two years, while the recurrent costs of the 434 Indian personnel and the Nigerian staff all come out of the normal Nigerian railways budget.

Although the Indians' capital budget contains provision for purchasing new rolling stock and maintenance equipment, their brief is to make the most of what is already in existence. They believe that they can turn last year's operating deficit of N39m on turnover of N74m into a profit while preparing Nigerians to take over again when the contract expires.

What they have to start with is 3,500 km of single track narrow gauge rail built at the turn of the century without much thought for the future. Because of the steep gradients and poor quality of the line in places, trains have a maximum speed of 64 km an hour but average nearer 50 km an hour over long journeys. There are only two main lines; one links Port Harcourt with Maiduguri in the north and the second runs between Lagos and Nguru.

Surprised

The Indians' first task was rationalisation of the existing facilities. They said they were pleasantly surprised to find the large quantity of spares, the good quality of much of the rolling stock and the co-operativeness of the remaining Nigerian staff. But they were aghast at the lack of management of the existing resources.

A proper inventory of all the spares took three months because of the often erratic way in which they had been located and stored. At the same time, packing cases full of machinery—some of them on the rubbish tip—were unearthed and found to contain millions of naira worth of equipment including seven wheel lathes, some of which have since been installed. Once the rationalisation was completed, it was necessary to start work on the rolling stock itself.

Again, the team was pleasantly surprised at the quality of the equipment, finding many carriages only six or seven years old, although suffering from neglect. A programme of periodic maintenance was instituted, which meant far more frequent overhauls for the locomotives and the carriages. The figures for the revitalisation of the rolling stock are already impressive.

Out of 225 diesel locomotives owned by the railways, only 100 or so were available for use at any one time before December. That number has now reached 140 and should be much higher by the end of the year. Of the 7,000 wagons for goods traffic only one third were in service yet that number has now been pushed up to around half of the total stock.

The most obvious effect of increasing the stock available has been the rapid pick-up in both goods and passenger traffic. The railways should be carrying 11m people a year by the end of the first 12 months of the management contract, compared with only 7m the previous year. Goods traffic, which had been steadily declining despite the oil boom, should have doubled from 800,000 tons a year to 1.6m tons a year by the end of the first 12 months. Already, the railways are loading as many as 135 wagons a day with goods compared with only 60 wagons a day, a year ago.

There has also been a big drive to improve communications between the stations and between headquarters in Lagos and the other district offices. Microwave radio sets are being installed until the Posts and Telecommunications can complete the necessary telephone lines between the areas. Until that is done, it will remain difficult to ensure that a timetable is kept to.

The number one priority of the management team is now to draw up a timetable and stick to it. Previously, a timetable was practically unheard of, and where it was in evidence it was largely decorative.

Relatively simple measures have already allowed the team to speed up the running times of trains and help them keep to the new timetable. They found that the express train which ran from Lagos to Kano was stopping at every station—although it was not supposed to—because the parcel van at the back had to be loaded and unloaded. Now a special parcel train runs once a week between the two cities carrying goods only.

Companies will soon be approached in an attempt to persuade them to send more goods by rail. The message will be that moving goods by train only costs one third of the road costs and can now be even more reliable. The same aggressive marketing policy will be tried for passenger traffic. The team is trying to improve the standards of the carriages and the service on the trains by making sure they are clean, introducing more air-conditioned carriages and ensuring there is a restaurant car on all the long-distance services.

What has made the management team particularly pleased is the good relations which have been established between the Indians and the Nigerians already working on the railways. The Nigerian workforce of 35,000 is getting-on-the-job training alongside the Indians, while others are being sent to India for one month refresher courses.

But while the Indians are taking care of the present, the Nigerian Government is also looking to the future of the rail network. The eventual aim is to replace the entire narrow gauge rail system with a standard gauge track.

M.W.

Lagos

A guide to survival

"WOKE UP dis morning," wails the singer in the Lagos nightclub. "I had them Lay . . . gos blues." What could his problem be? Did someone steal his car? Rob a friend of his at gunpoint? Did he get stuck in an endless traffic jam? Did the electricity go in the middle of his show? Or did his audience go in the middle of his show?

No. When he sings the answer it is so commonplace that its hardly worthy of giving you the the blues in somewhere as extraordinary as Lagos. "My baby left me," he sings. It's a pity the man didn't have more imagination because Lagos needs a good chronicler. Someone who can see the good beneath the filth. After all, his girl could have left him anywhere—Paris, Rio or New York. But Lagos is different.

It's a city where tax drivers believe they can fly and sometimes succeed. It's a city which becomes the Venice of West Africa when the tropical rains flood the streets. It's a city where arriving home late is complicated because you have to tread nimbly to avoid stepping on the sleeping nightguards on your porch. It's a city where you worry so much how you're going to stay sane that it drives you crazy and you cease to worry.

Unfashionable

The problem is that it is unfashionable to say anything positive about Lagos. It's a lonely life being a liker of Lagos, let alone being a lover of Lagos. You get the feeling you have an anti-social disease. People give a wide berth at parties, suggest you see a doctor or whisper about you behind your back. Nigerians and expatriates alike love to criticise Lagos, although working on the principle that "I can beat my wife but don't you lay a finger on her" Lagotians remain sensitive to the criticism of outsiders.

That's why it is better to reflect inwardly on some of the entertaining features of the city. Take, for instance, the roads. If it is true that certain forms of vibration are beneficial to the liver, then Lagos drivers should be in excellent health. Whether or not someone is looking into the holes in the roads is academic. The fact is that they come into being because of the principle of division of labour.

Any self-respecting contractor laying a pipe or a wire across a road would not dream of filling in the hole he had dug—that's a hole fillers' job. Instead, the trench is filled with sand or earth so that initially it looks as though someone has been buried in a shallow grave. Then when the rains come it turns into a slight hollow, then it becomes a biggish ditch and finally a gaping chasm best tackled with a team of wily sherpas or a bailey bridge.

However, if the hole was caused by inadequate drainage of rainwater there is a solution. A team of ditch diggers can come and construct concrete canals along each side of the road. Unfortunately, the canals aren't connected to drains but you will have the satisfaction of watching the rain water pour round the corner and flood your neighbour's yard.

Dampness is generally a problem in Lagos. It gets into everything during the rainy season—your car, your clothes, your head. Even the book worms need water wings. It doesn't get so bad you have to sleep in scuba gear, but when the hot, humid season comes then it's best to construct a gutter around your trouser bottoms to catch the sweat.

There are other problems, of course. There are the "go-slows" (traffic jams) the fact that the man you are looking for never seems to be "on seat" (in his office) the telephone sitting smugly decorative on the table. But the city has a vitality which it is impossible to ignore however hard you try. If you have money there are restaurants and clubs. If you have no money there are still clubs.

Try the New African Shrine, for instance. There, Fela Anikulapo-Kuti, Nigeria's foremost musician and egoist manages to look after his 27 wives and put on a show every night. If you want something more European in flavour you can always try getting on a plane to Paris.

But survival in Lagos becomes very much a question of establishing a routine. Once you have your sports club and your friends and your stand-by generator and ground water tank you are fairly well cushioned against anything. Then is the time to spare a thought for the millions of citizens in the great sprawling connurbation who don't have any decent shelter, let alone amenities.

It is hard to see how they can survive, getting up at the crack of dawn and fighting their way into the city from the suburbs where there is neither electricity nor mains sewage nor running water. Then after doing their best to sleep during the day, starting out on the trek back into the suburbs.

It makes it all the more irritating to hear some of the expatriates complain. Naturally, there are foreigners of all sorts working in Nigeria, but the worst have to be those whose concessions to the country lie solely in replacing their blood with Star beer over a period of time and adding an "o" to some of their words. "See you later-o" they quip. Alternatively, they speak a kind of pidgin pidgin English which sounds more like strangled goose.

To conclude, though the city looks inhospitable to the newcomer it has a soul. Once you're established you'll find you enjoy it as much as you hate it. It really amounts to one thing: "It's a good place to live but I would hate to visit there."

M.W.

هكذا من الأصل

Michael Donne on why Boeing plans to spend upwards of $300m a year on orders from the UK aerospace industry through the 1980s

Boeing's British flight plan

PLANS BY Boeing, the biggest civil jet builder in the world, to spend upwards of $300m a year in the UK aerospace industry *through the 1980s* reflects the company's determination to make a success of its new airliner programmes. These are the twin-engined 757 short-range jet (which uses Rolls-Royce RB-211 Dash 535 engines) and 767 *medium-range* airliner.

The visits by the company's top executives, headed by Mr. Tex Boullioun, president of Boeing's Commercial Airplane Company, to Sir Keith Joseph, Industry Secretary, last week, and to major organisations such as British Airways, Rolls-Royce and various equipment suppliers, were primarily aimed at killing rumours circulating in Europe that those new programmes were not as firm as had been claimed. It had also been suggested that Boeing was worried by the competition from Airbus Industrie, which has picked up many sales in recent months that Boeing itself coveted.

Boeing admits that Airbus Industrie (in which British Aerospace has a 20 per cent stake) has done well, but it argues that Boeing has done even better in the re-equipment tide now flowing through the world's airlines.

In the 18 months from January 1, 1978, to end-June, this year, nearly 1,100 jets of all kinds were firmly ordered (the figure excludes options). Of these Boeing picked up 638 (for 747s, 727s, 737s and 707s and the new 757 and 767) while Airbus Industrie picked up over 200 (for A-300s and A-310s). The rest went to McDonnell Douglas (102 DC-9s and 67 DC-10s) and to Lockheed (for 51 TriStars) and to Fokker for some F-28s and British Aerospace for a small number of One-Elevens.

While Airbus Industrie can rightly argue that its current total order-book for more than 360 Airbuses of various versions will eventually mean orders for *close to 1,000 aircraft* as existing customers expand their fleets, Boeing can argue the same way. On its present customer-base alone, Boeing claims it may well sell upwards of 2,000 aircraft of its existing types through the 1980s, and probably many more of its new 757 and 767 are included.

Boeing says it is on schedule with both the 757 and the 767, and expects to announce further orders for both types before the *end of this year*. At present, it has orders for 40 757s from British Airways and Eastern Air Lines of the U.S., and 100 767s from six airlines (four U.S. and two Canadian).

Investment

So far, Boeing has invested over $1.5bn in the new ventures and is still rapidly signing up sub-contractors throughout the world, including the UK—where Short Brothers of Belfast recently won a long-term contract for the supply of inboard wing-flaps for 400 of the 757s through the 1980s.

Boeing, in fact, has quietly become *over the past few years* one of the UK's biggest customers for aerospace equipment. Since 1973, it has bought $700m (£325m) worth of equipment from the UK, including $300m in airframe components for the 747 *Jumbo jet and the new* 757 and 767, and $400m for Rolls-Royce RB-211 engines in various versions for both the 747 and the 757.

During the next five to ten years, Boeing expects its spending in the UK to rise to at least the planned $300m a year, of which engines will account for $250m, and other equipment about $50m. If the value of spares business is also included, this spending could rise to as much as $500m a year.

Boeing now argues that its spending in the UK matches, *if not exceeds, that of* Airbus Industrie, and that through the 1980s this could increase further, if other programme ideas the U.S. company has come to fruition. It argues that already, work for Boeing accounts for between 6 and 8 per cent of all UK aerospace industry activity, and about 12 to 15 per cent of aerospace exports, involving work for between 14,000 and 16,000 people.

Airbus Industrie can argue in return, however, that it has fairly beaten Boeing in many markets by producing good aircraft with dynamic salesmanship. The current order book for 362 Airbuses of various kinds is already worth well over $10bn, of which the UK's share is over $2bn on the airframe work, spread over a period to the early 1980s (covering delivery of the aircraft at present ordered), together with further sums for items of equipment placed in the UK. These will increase through the 1980s, as further Airbus orders emerge.

British Aerospace estimates that by 1982-83, its work on wings for Airbuses will be worth between £140m and £150m a year, and that will increase as Airbus orders expand. With production planned to rise to nine aircraft a month by 1985, British Aerospace's wing business alone could by then be worth over £200m a year.

The UK's investment in Airbus, under the terms agreed between the UK, French and West German Governments last year, will amount to about £325m, made up of an immediate "entry fee" of £25m to the consortium (paid last year), outlays of about £50m on the initial UK share of design and development costs of the new A-310, and about £250m spread over several years as Britain's contribution to the ongoing costs of Airbus Industrie.

The UK's share of work in the Airbus *family* could well increase further in the years ahead, if new developments in that programme now planned come to fruition.

These include such new versions as the B-9 Airbus, which would carry up to 300-plus passengers against the A-300's 250 seats, and the B-11, a four-engined long-range aircraft that would be able to carry up to 200 passengers over 6,000 miles. At the lower end of the scale, there is also the so-called "Joint European Transport" programme, as yet undefined in detail but broadly aimed at developing airliners in the 100/130- and 130/160-seat categories to compete with any new versions of Boeing's 737 and 727 that might emerge in the 1980s.

If either of these smaller "Joint European Transports" is built in Europe, the UK might expect to get a bigger share of the work than the present 20 per cent stake in Airbus Industrie provides. The cost of development would be several hundred million pounds, and it might well be that a new subsidiary of Airbus Industrie could be formed to undertake the programme, in which the UK could be offered a substantial stake, getting work in proportion to its investment.

One factor tending to support this view is that the UK has rather more civilian aircraft manufacturing capacity available than have the aerospace industries in France and West Germany, especially with the rundown of Concorde and the One-Eleven programmes.

The UK's share of work in *the Airbus family could also rise* if the new agreement, signed at the Paris Air Show this summer, for putting Rolls-Royce RB-211 engines into future Airbuses is also implemented. As a result of this pact, it is now possible for any future Airbus customer to specify the RB-211, and both Rolls-Royce and Airbus Industrie are hoping that this demand will emerge, although it has not done so yet.

In such circumstances, the UK Government might find itself under pressure to subscribe more cash to support British Aerospace in Airbus Industrie, beyond the £325m already paid or earmarked. Most people in the aerospace industries on both sides of the Atlantic believe that some such new short-range aircraft developments will emerge, and that once again the battle would be primarily between Boeing and Airbus Industrie, with other manufacturers such as McDonnell Douglas picking up what orders they could.

Boeing *is anxious to ensure* that, while the UK promotes its collaboration with Western Europe, it does not put all its eggs into that basket and ignore what the U.S. company has to offer. While Boeing failed some time ago to win collaboration with the UK on wing construction for the 757 airliner, this has not prevented it from putting more and more aerospace work into this country.

Already the list of companies working on parts for Boeing jets of various kinds exceeds 50, ranging from Rolls-Royce on RB-211 engines for the 747 and the 757, through to Short Brothers on wing flaps for 757s and landing-gear doors for 747s, and Triplex for windshields on 747s, 757s and 767s.

At present there are what Boeing calls "bid opportunities" for parts on the 757 airliner worth $92m still outstanding in *the UK, for which it would like* companies to tender, and there could be more later on that aircraft as Boeing completes its sub-contracting programme prior to launching full-scale production. Most of the detailed engineering work on both the 757 and 767 has been done, and many blueprints have already been released to the production shops on both aircraft. The 767 schedule calls for a first flight in the autumn of 1981 (September 30), with the 757 following about six months later.

The commitments on the 757 and 767, however, are not affecting either the world demand or the production plans on the earlier and still popular short-range 737 and short-to-medium range 727 airliners. With over 700 of the 737s sold so far, and over 1,700 727s, Boeing believes both will continue to sell throughout the 1980s, and that its talk of 2,000 jet sales in that decade is not unrealistic, in spite of the possibility of competition from Airbus Industrie with such new types as a 130-160 seater "Joint European Transport."

Boeing believes that the UK could win a share of the 737 *market through the 1980s, if it* chooses to do so. Rolls-Royce has begun work on a new engine, the RB-432, which is a 15,000-18,000 lbs, "Spey replacement," suitable for smaller jets of the 100-130 seat category, which means the 737.

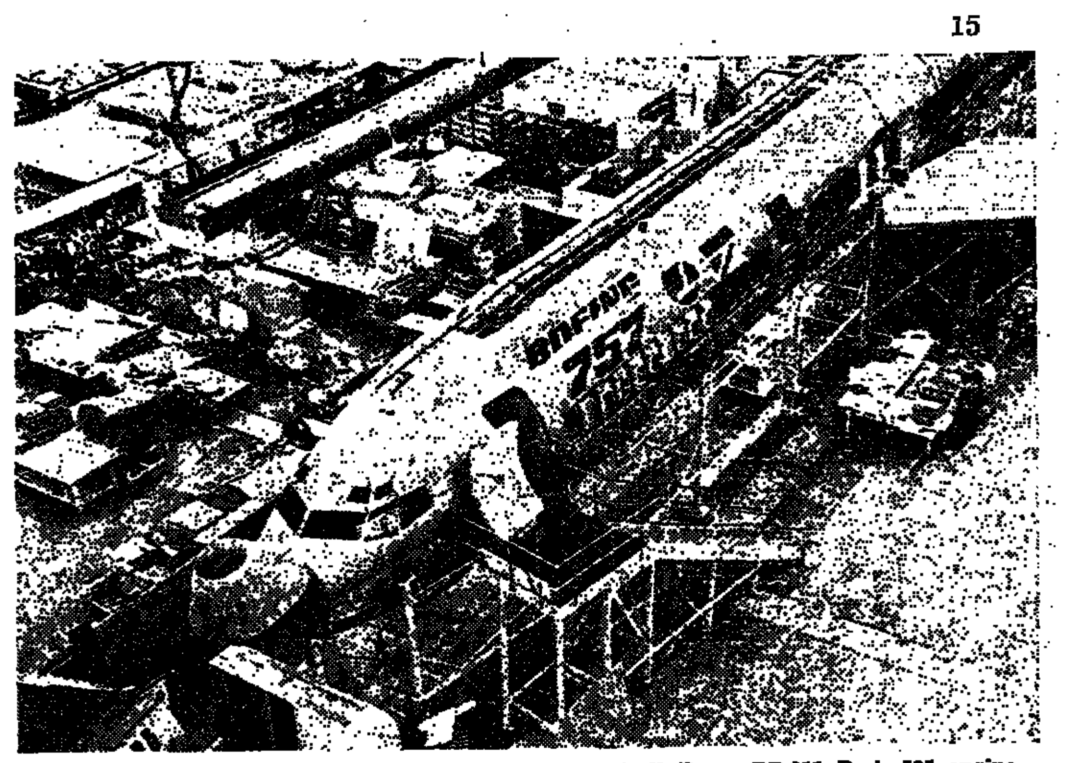
Boeing, in searching for ways to keep the 737 up to date, has hit upon the RB-432 as an ideal power-plant, provided it is developed by Rolls-Royce, and can meet Boeing's exacting delivery schedules and price requirements. So far, however, the RB-432 is not firmly launched. Rolls-Royce has been discussing collaboration on it with the Japanese, and will need substantial Government cash aid before it can launch the venture.

For its part, the British Government has said that Rolls-Royce must have markets before it can have cash for development. Boeing's arrival on the scene with ideas for a 737 with RB-432 engines, together with any agreement on collaboration with the Japanese, could prove to be the saviour of the RB-432 programme, and bring much more aerospace cash to Britain through the 1980s.

Boeing's interest in the UK, however, is not philanthropic. Of course it is looking for markets, too. Already, British Airways is a big customer, with 25 Jumbo jets on order or in service, and the order for 19 757s with *an option* on 18 more. Three independent British airlines, Britannia, Air Europe and Orion (Horizon Travel), have between them orders, options or plans for a total of 37 of the 737 jets, and they and other airlines, such as British Caledonian, are prospective customers for either the 757 or the 767. One way or another, Boeing can expect to pick up massive orders in Britain worth hundreds of millions of pounds through the 1980s.

But the U.S. company is anxious to ensure that this is not regarded as a "one-way street" that could arouse antagonisms and drive the UK even closer into the arms of the European aerospace industry.

By bringing work to the UK it is not only meeting its own requirements for aerospace equipment to overcome pressures on its other sources in the U.S., but also demonstrating that a fruitful relationship can be established between the UK and U.S. civil aerospace industries.


A mock-up of the Boeing 757 to be powered by the Rolls-Royce RB-211 Dash 535 engine

Letters to the Editor

The third airport

From Mr. C. Williamson

Sir,—Professor Sir Colin Buchanan in his article "Village England v. the third airport" (September 27) rightly questions the price to be paid for tourism, there being an assumption that this will continue to be a major contributor to our balance of payments. How can the "experts" be so sure, however, that in an era of cheap air travel, combined with a strong pound, the growth of tourists flying into the third airport would not be exceeded by the number of Britons flying out to visit not only Europe but, increasingly, the U.S.? *Thus, not only would the third* airport desecrate a massive slice of our precious countryside or coastline, but it could just as well contribute to a deterioration as to an improvement in our payments position.

Over the centuries the Yeomen of England — once aroused — have repulsed many tyrants: the odds must be against the men from the Ministry if they press their plans.

C. A. Williamson.
White House Farm,
Growfield, Ipswich, Suffolk.

Development of Gatwick

From the Vice-Chairman,
Gatwick Area Conservation Campaign.

Sir,—Professor Sir Colin Buchanan, in his excellent article "Village England v the third airport" (September 27) describes the battle being waged by the villages around Stansted, Yardley Chase, Hoggeston, Langley and Willingale. What he does not mention is the similar battle by scores of rural villages in Surrey, Sussex and Kent, against the proposed development of Gatwick Airport.

Indeed, the experience of the development of Gatwick could be a warning tale of what would *happen if a* third airport goes ahead. When the original proposals were put forward in the early 1950s they were strenuously opposed, and indeed the argument was made — long before Professor Buchanan wrote his minority report to the Roskill Commission—that the proper place to put an international airport was on a coastal site in the Thames estuary. The objectors were, however, defeated, partly because the Government *stated that the new* airport at Gatwick would be used only as a bad weather alternative to London Airport, and would not be used intensively all the year round. Since then the airport has developed in a rapid, piecemeal and unplanned fashion. The latest proposal is to build a second terminal, which would increase its capacity to 25m passengers a year, approximately the same number as are at present handled by Heathrow.

This is being strenuously opposed by the West Sussex County Council and by the Gatwick Area Conservation Campaign, which has the support of 75 other local authorities and over 40 amenity societies. They all fear that the latest proposals would mean a substantial increase in industrialisation, urban development, traffic and noise in the rural areas of Southern England.

I, and no doubt many others, will wish to support Professor Buchanan in the doubts that he expresses about indefinite expansion of tourism. Just because air traffic has increased in the past we cannot destroy open *space in this island just on the* assumption that it is bound to increase in the future. I also welcome his suggestion that the Government should put much greater emphasis on expanding regional airports for the less essential tourist traffic. Many people in these areas wish to expand their airports because they know it will bring prosperity.

A few years ago a study commissioned by the Department of Trade showed that in theory a tax of only about £7 per passenger using the London airports, counter-balanced by a subsidy of £7 to all passengers using regional airports, would *result in about half the number* of people who at present use London deciding to fly from regional airports.

The present Government is in favour of using the price mechanism. The countryside of Southern England is a scarce resource. If this were only recognised then a simple price adjustment would obviate the need for a third London airport, would end the need for further *expansion* at Gatwick, and would bring new prosperity and new jobs to other regions of Britain.

Brendon Sewill.
Staggers Aron,
Charlwood, Surrey.

Benefits of tourism

From Mr. L. Borley
English Tourist Board

Sir,—I was dismayed by Sir Colin Buchanan's comments on the price of tourism (September 27), and that so much prejudice could be conveyed in so few papargraphs.

It is not for me to speculate *on the outcome of the current* Government enquiry into a third London airport. The fact remains however that we are an island trading nation whose hope of any future in a modern world will depend on modern communications.

There may be perfectly good objections to specific locations for a third London airport, but let us not be prejudiced by the caricature of tourism which Sir Colin chooses to draw.

Tourism—and *that* term embraces business travel as well as leisure travel—is one of this country's few modern success stories. It would be a foolish man who set his face against its economic benefits. I know Sir Colin knows this. For, somewhat ironically, I have on my desk a study of West Country tourism just completed by Colin Buchanan and Partners for the English Tourist Board, which says that the benefits of tourism *outweigh the disadvantages.*

Of course no one wants "bed and breakfast" to be our great contribution to the world in the years ahead, but might it not be thought more gainful than taking in each other's washing?

Lester Borley.
4, Grosvenor Gardens, SW1

Cancer research finance

From Dr. G. Myddelton

Sir,—The director of Action on Smoking and Health tells a pathetic story (September 26) of his struggle on a "tiny budget" to prevent 50,000 deaths a year by stopping people smoking and implies that mere medical "research" should have a lower priority. Possibly some smokers disbelieve his statement that lung cancer is "almost exclusively caused by smoking." This is where research might come in so useful. There are a few unsolved problems.

About 80 per cent of lung cancer deaths in women are completely unrelated to smoking. No difference can be found in the chemical composition of smoke from cigarettes, which are statistically connected with increased mortality, and smoke from cigars or pipes which are not.

The carcinogenic chemical 3:4 benz-pyrene which occurs in cigarette smoke (as well as in cigar or pipe smoke) is also a product of motor vehicle exhaust (especially the diesel engine) and it can be calculated that the city dweller would get *as much of it by breathing one* of the old London fogs for 24 hours as he would from inhaling the smoke from every morsel of 2,500 cigarettes. There is, of course, no scientific proof yet that the cause of the great increase in lung cancer is due to diesel fumes any more than it is due to cigarette smoking.

Further research is necessary, but it should be carried out with a completely open mind, and not only should the financing of such research be subject to full public discussion but so should the results.

(Dr.) Geoffrey Myddelton,
121 Golfe Azur
Avenue Georges Drin,
Roquebrune-Cap-Martin.
06-France.

Effects of pollutants

From the Secretary, Cancer Prevention Research Trust

Sir,—I refer to the letters of Mr. Stanley Alderson (September 20) and of Mr. David Simpson (September 26) in connection with cancer research.

Millions of pounds are being spent every year by the major cancer charities without extending the life of a single cancer patient by more than one to two per cent. Cancer is not one disease: it is a hundred or more *diseases. Inspired by the suc*cess with antibiotics in controlling infectious diseases, cancer research scientists have been concentrating on seeking a cure. It is just possible that for many of the forms of cancer there will be no *magic* cure *and* that the most practical approach will be to find means of prevention.

Recent technological developments have introduced into food and the environment in general a great variety of chemical pollutants to which man has not been evolutionarily exposed. The effects of such pollutants in terms of cancer induction may not become apparent for thirty or more years. Unless this is appreciated we may find that the *price to society is extreme,* and appreciated only after that price has been extracted.

V. M. Fellas.
Cancer Prevention Research Trust.
36 Roehampton Vale, SW15.

EEC tachograph regulations

From Mr. S. Isaacs

Sir,—Lynton McLain (*September 24. Slow progress in* EEC harmonisation) considers the problems of British implementation of the EEC tachograph regulations in the light of the European Court of Justice's decision in *Commission v. United Kingdom* (case 128/78, judgment of February 7, 1979). But there are two legal consequences of the judgment which, much to the relief of the UK Government, largely go unnoticed.

*There is a solid basis for say*ing that the effect of the EEC tachograph regulation 1463/70 has been to sweep away the earlier provisions of EEC regulation 543/69 as to the keeping of manual record books which tachographs are intended to replace. Yet hundreds of road haulage companies and their drivers are still being prosecuted successfully — either through ignorance of the law or *lack of funds to defend pro*cedings—for supposed offences relating to the keeping of such records. In all probability these offences no longer exist and their continued prosecution may itself be a breach of EEC Treaty obligations.

The proposed introduction by Norman Fowler of domestic regulations for the compulsory use of tachographs is, from all but the political viewpoint, un*necessary. It is open to the* authorities now to prosecute road hauliers for failure to instal and use tachographs under regulation 1463/70 and s.98(4) of the Transport Act 1968. The EEC regulation applies directly in this country without the need for any implementing domestic legislation. The fact that the authorities choose for reasons of political expediency not to prosecute in this way is no justification for continuing to prosecute for offences which no longer exist.

Stuart Isaacs,
Gray's Inn Chambers,
Gray's Inn, WC1.

Change at the top

From Mr. S. Prais

Sir,—"A change at the top, if it comes soon enough, can work wonders," says Geoffrey Owen (September 27). But, as he rightly points out, the change often does not come soon enough within the present framework for the control of our companies.

The system of two-tier Boards in other countries seems particularly relevant for the problems he describes, and should I think be considered again here. Those on the (upper) supervisory Board are not at the same time members of the (lower) executive Board: the executive Board is thus continuously conscious of its accountability to someone in a position to remove them. This differs from our system of non-executive directors, whose role is too vague and lacking in power.

A change to two-tier Boards will undoubtedly lead to a less comfortable way of life: and we must expect it will be opposed by those wedded to present more comfortable ways. But the price may have to be paid if we wish to be in a position to stop the rot.

S. J. Prais.
National Institute of Economic and Social Research,
2, Dean Trench Street,
Smith Square, SW1.

A dangerous precedent

From Mr. A. Holland.

Sir,—One wonders if Californians supporting the cause of unitary taxation would be quite so happy in promoting it if Greater London Council, for instance, let it be known that it was considering relating the rateable value of the London offices of the largely California-based motion picture and electronics industries to their world-wide profits. While the present proposals may have little effect in the immediate future, they are setting a very dangerous precedent around the world.

Anthony D. R. Holland,
7-8 Warwick Street, W1.

Scope for cuts

From Mrs. J. Coulson.

Sir,—I have just finished a session of jury service. Though it was an experience I was pleased to have, I was appalled at the iniquitous waste of time and money involved.

None of the cases I heard could be called anything but petty crimes (what do the magistrates courts do?); all were at least 18 months delayed, one exactly two years. Sentences: 6-9 months suspended for two years.

I should say that all the defendants I saw were getting legal aid. A judge or recorder, two barristers, instructing solicitors, jurymen/women, all to be paid. To say nothing of the permanent staff of ushers, etc. If ever there were scope for drastic cuts in public expenditure—this must rank in the highest order of priority. Twice the judge himself in one case said that money was being wasted (witnesses being brought long distances who added nothing to the defence). After a day and a half in two cases the defendant changed his plea to guilty, and so the jury was dismissed.

Jurymen/women are reimbursed for loss of earnings and given subsistence and travelling allowances; all tax free! A bonus all of us were very pleased to have—but why tax free? A sop to the long, *dreary hours sitting in waiting* rooms?

The wind of change should be blowing coldly and briskly through our legal system.

Mrs. Jill Coulson,
1 Bucklers Close,
Tunbridge Wells, Kent.

Avoiding tax

From Mr A. Gray.

Sir,—The implication in Professor Myddelton's letter (September 25) is that only those persons taxed at high marginal rates make attempts to avoid tax. This is scarcely possible if the Inland Revenue estimate, that some £10bn-£11bn remains untaxed in the "black" economy, is correct.

Such high figures bear their own implication that avoidance is widespread particularly among standard rate tax payers perhaps through "moonlighting" and other cash transactions. If this is true one might expect more avoidance, not less, among the broad band of average wage earners since a flat rate of 25 per cent income tax would actually increase their tax liability by around 25 per cent as soon as the system changed.

Such a measure could hardly be described as fair since it very clearly is designed to favour the already wealthy at the expense of the not so wealthy, and it may therefore engender some stiff opposition from the trades unions and the Labour Party, causing disruption we could all do without.

Adrian Gray,
31 Russell Road,
Wimbledon, SW19.

Today's Events

GENERAL

UK: Labour Party conference opens, Brighton (until October 5).

National Association of Local Government Officers calls one-day strike of university staff.

Main provisions of new Banking Act come into force.

Dr. David Owen, shadow energy spokesman, opens International Co-operative Alliance conference, Manchester.

Mr. Peter Walker, Agriculture Minister, speaks at National Dairy Centre, London.

Duke of Kent opens Racal Electronics private exhibition and conference on communications, London.

Overseas: Pope John Paul II arrives in Boston for U.S. tour (until October 7)—visits Holy Cross Cathedral.

Joint annual International Monetary Fund/World Bank meeting, Belgrade.

Panama Canal officially handed over to Panamanians.

Herr Hans Apel, West German Defence Minister, in Washington for talks with U.S. leaders on Bonn defence budget.

Venezuela raises price of crude oil by 6 per cent.

OFFICIAL STATISTICS

Retail sales (August—final). Hire purchase and other instalment credit business (August). Investment Intentions of the manufacturing, distributive and service industries (1979 and 1980).

COMPANY RESULTS

Final dividends: James Halstead (Holdings). Ingall Industries. Pochin's. **Interim dividends:** Percy Bicton. Currys. Dinkie Heel Company. Foseco Minsep. Hadden Carrier. Hictons Footwear. Silkolene Lubricants.

COMPANY MEETINGS

See Financial Diary on page 6.

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Stelrad expects to buy AGA radiator business

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

STELRAD, THE Metal Box subsidiary which makes central heating equipment, expects shortly to acquire the radiator division of the Swedish AGA group. The deal will extend Stelrad's penetration in the European market and expand Stelrad sales currently around £80m, by about one third.

AGA radiators has marketing companies in Sweden, Austria, Belgium, Holland, Denmark and Germany, and manufacturers in four of these countries. Sales in 1978 amounted to around SKr 300m. Stelrad also has factories in Austria and Holland as well as the UK, but the deal does not seem to involve any rationalisation of production.

Stelrad also intends to supply its new outlets in Europe from the UK. A new radiator factory at Ramsgate, Kent, is shortly to go into production, and it is expected that this will be used largely for exporting to northern Europe.

The commissioning of this radiator factory, the fifth for Stelrad, was part of a capital investment programme designed to increase capacity and modernise existing facilities. Capacity has been a problem for Stelrad and at one time, the company had discussions with a view to taking over the radiator interests of the KME co-operative on Merseyside.

Stelrad—originally known as Steel Radiators—was part of AGA until 1967. It was bought by Metal Box in 1973, and has been built up rapidly until it claims now to be the largest central heating manufacturer in Europe. Stelrad contributed £7.64m profit to Metal Box group profits of £58.2m last year. Most of the profit has been earned in the UK, where the market for central heating systems is buoyant.

By contrast, the market in Europe has been stagnant for some years. But Mr. Rodney Haynes, Stelrad managing director, says there has been "a gradual resurgence in the European market following the recession in the building trade."

AGA is the leading producer of industrial gases in the Nordic countries and has diversified recently into cold storage and transport. The radiator business, which is part of the heating division, has not been doing well in recent years, and AGA tried unsuccessfully to merge the whole division with another Swedish manufacturer last year.

UK Provident raises bonus

The United Kingdom Provident has improved its interim reversionary bonus rates on with profit pensions contracts—for self-employed and executive pensions—from £5.20 per cent per annum to £5.50 per cent per annum of the basic pension plus attaching bonuses. The terminal bonus rate, paid when the policy vests and the pension starts, remains at 10 per cent of all attaching bonuses. The company's next full bonus declaration will be made for the three years ending December 31, 1980.

The company has also revised its rate bases on self employed pension contracts for both annual and single premium policies. These have been considerably improved. But a policy charge of £12 per annum is being imposed for the first time. The net effect is to slightly improve the premiums charged per unit of benefit. These rates, together with the new bonus levels, confirm UKP as a market leader for this type of business.

For example, a man aged 45 paying an annual premium of £1,000 for 20 years would now have an estimated cash fund at 65 of £78,177 compared with £69,105 previously—a rise of 13 per cent. Similarly for the same investor a single premium of £1,000 would produce a cash sum at 65 of £9,637 against £7,820 previously, an increase of 23 per cent.

The new bonus rates maintain the competitiveness of the company's Individual Pension Plan for directors and executives.

Beaumont Properties sees strong growth

Benefitting from a £180,000 rise in property revenue Beaumont Properties expanded taxable profit for the half year to March 31, 1979, from £462,750 to £653,500 and a much higher total is forecast for the year.

Mr. Cyril Black, the chairman, says the 12 month figures will reflect the full impact of the funds raised by the 1978 rights issue. This should more than compensate for any fall in trading profits. For 1977/78 the taxable surplus was a record £1.12m.

Stated first half earnings per 25p share rose to 2.59p (1.69p) after tax of £286,000 (£227,750). Trading surplus was down from £64,250 to £31,500.

The chairman says the company policy is now not to seek purchasers for properties and will sell only if a very attractive price is offered.

The advance in property revenue for the half year from £658,750 to £838,000 arose from successful rent reviews coupled with rental income from property purchases.

A net interim dividend of 1.5p (1.1725p) and costing £212,507, has already been declared.

Titaghur Jute reduces halftime loss

Despite some improvement, Indian mill operations remained in loss for Titaghur Jute Factory Company in the half-year to the end of 1978. After a near break-even £5,000, against £35,000, profit contribution from the UK side, the company's taxable deficit for the six months was £234,000, compared with £715,000.

In the second half, although market conditions have remained favourable, the seven-week strike at the Indian mills in January and February, allied to repeated power supply difficulties, "has again cost the mills dearly." The company does not expect half-year operating losses to be recouped, and again is passing the interim dividend.

However, stronger sterling and a substantial book profit on the sale of land at Titaghur will help strengthen the year-end balance sheet. In addition, further installation of in-house generating equipment will remove dependence on the erratic public electricity supply. The company, therefore, expects to be able to take full advantage of the current favourable market conditions and, for the first time in some years, will be able to earn "useful profit from its Indian operations" in 1979-80, the directors say.

Decca building firmer base

WHILE profits from the sale of defence equipment are taking longer to materialise than expected the directors of Decca believe the steps being taken, the high technology of products and the group's reputation, form a firm basis for the future.

In their annual report, the directors say the navigator marine rental business continues at a satisfactory level, while deliveries of doppler equipment are expected to double during the present year, with a further increase in 1980-81.

Marine radar sales have been adversely affected in the current year, both by the exchange rate factor and the rise in the oil price, which has reduced sales to the U.S. pleasure boat market, the directors state.

The radar company is building up its turnover in electronic warfare equipment as rapidly as possible while survey contracts for oil exploration west of Ireland and off the coast of China represent new areas of activity.

Orders on hand for capital goods are the highest yet received, the Board says.

As a result of recent pay negotiations with the unions, restrictions have now been removed and the directors are engaged in discussions with the objective of increasing productive effort and restoring profitability. Economies are being made throughout the group, especially where the demand for the products has fallen.

The group is also moving ahead with new developments, particularly in areas where increased demand and future profitability are foreseen, while modernisation projects recently completed are producing higher output at lower cost.

For the year ended March 31, 1979, the group reported a pre-tax loss of £384,000, against a £12.3m profit, on turnover of £182.5m (£186.3m). The reversal was mainly due to the strength of sterling, rising labour costs and higher interest charges.

The aggregate amount of bank loans and overdrafts at March 31, 1979, shown in the balance sheet includes secured loans and overdrafts of £3.2m, against £746,000.

Of the total of £44.9m (£31.2m) bank loans and overdrafts, £39.6m is repayable within one year, £0.7m between one and two years, £4.4m between two and five years and £1.2m after more than five years.

Meeting, Winchester House, E.C., October 30 at noon.

See Lex

Pirelli Cable profit cut

SALES of the unquoted Pirelli General Cable Works rose from £45.49m to £50.97m in the first six months of 1979 but pre-tax profits were cut from £3.38m to £1.85m.

The directors blame the profit fall on the transport strike, bad weather, absence of home oil-filled cable contracts, installation losses overseas and higher interest charges.

The Board is not declaring an interim dividend and consideration of this payment is deferred until later in the year.

Profit is after depreciation, £1.34m (£1.21m) and interest of £920,000 (£233,000). Adjusting for inflation there is a pre-tax loss of £0.6m.

There is no tax charge (£1.2m). Exchange losses total £417,000 (nil) and minorities, £15,000 (nil). An amount of £1.42m against £1.28m, is retained.

In 1978, the group reported pre-tax profits of £7.89m from turnover of £90.97m.

Border TV dips and warns on prospects

REPORTING A 4 per cent dip in taxable profit for 1978-79, Sir John Burgess, chairman of Border Television, warns on prospects for the current year.

For the year to April 30, 1979, higher than anticipated costs bit into taxable profit which was down from £369,864 to £353,669 after a lower exchequer levy of £58,000, against £83,200.

Sir John says: "There are still too many imponderables to make an accurate forecast for the present financial year but I would be failing in my duty if I did not warn that it would be unwise to assume increased profits this year." He intends to issue an interim statement on progress in December.

Turnover last year was up from £2.61m to £2.98m but performance was affected by a nine-day industrial dispute and after-tax profit emerged at £158,669 (£169,864).

After paying a total dividend of 2p (1.9p) costing £49,800 (£47,300) some £100,000 is left to plough back for future development including ITV 2.

In the current year £75,000 will be invested in replacing and updating essential equipment but the company is also preparing a development plan for the next four to five years, including acquisition of new equipment for the extra channel. This is expected to cost more than £1m spread over a number of years.

"The aim will be to put us in a strong position for the long term future including the advance into ITV 2.

At April 30 short term loans and cash amounted to £0.22m (£0.28m).

Meeting, Television Centre, Carlisle, on October 5 at 12.30 pm.

FT Share Service

The following securities have been added to the Share Information service appearing in the Financial Times:

...Louisiana Land and Exploration Company (Section: Americans). Mercantile House Holdings (Trusts, Finance, Land). St. George Assets (Electricals). United Telecommunications (Overseas—New York).

WM. PRESS

Wm. Press and Son has bought in the market for redemption £299,400 6½ per cent unsecured loan stock 1983-88. Stock outstanding is now £266,457.

Telefusion sees enhanced profitability in rentals

THE PROFITABILITY of rental operations at Telefusion is expected to be boosted over the next few years by a fall in depreciation on existing rental assets, says Mr. J. N. Wilkinson, the chairman.

For 1978-79, despite a higher depreciation provision, net profit of rental activities improved from £2.3m to £2.7m. Investment in new TV rental assets amounted to £6.9m.

The reorganisation at Trident Superstores, where last time some £0.5m development expenses increased the loss to £0.8m, has not yet realised its full potential. This is mainly due to the disrupting effect of developing new superstores, closing small, uneconomical units, and computerisation teething problems, the chairman points out.

The reshaping, the cost of which last year was in addition to £1.1m capital spending, will be completed by the end of October—well ahead of schedule.

Over the past 12 months, Trident's sales area has been expanded by about half and now its 100 branches are "ready to take an increasing share of the electrical goods market," he says.

Teleng, the electronic manufacturing company, was hit by reduced margins in the cable television and master antennae markets and the strengthening of sterling in export markets. Severe competition prevented a recovery in margins through higher prices and the company finished the year to April 28, 1979, showing a £0.6m loss.

Overheads have been sharply reduced, the work force halved and development has recently been concentrated on fields such as television computer entertainment systems.

Overall sales for the year were up at £77.35m (£63.4m) with growth in the home market from £56.88m to £70.59m. As reported September 21 an advance of £0.5m at the trading level was more than offset by depreciation interest and other charges and taxable profit dipped to £1.73m (£2.07m). Even so, cashflow during the period was a record.

At year end bank overdrafts were up from £219,000 to £1.91m and medium term borrowings at £4.7m (£3.9m), and cash was down from £2.02m to £1.11m.

The net total dividend is stepped up to 1.501851p (1.306805p).

At September 20 the Wilkinson family controlled in excess of 50 per cent of the equity including the 11.7 per cent held by the family-owned Parville.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Allied Plant, Percy Bilton, Comfort Hotels International, Currys, Dinkie Heel, Fosoco Minsep, Hadon Carrier, Hiltons Footwear, Nchanga Consolidated, Silkolene Lubricants.

Finals—James Halstead, Mercury Money Market Trust, Pochins.

FUTURE DATES

Interims—

Baird (William) .... Oct. 18
External Investment Trust .... Oct. 10
Fothergill and Harvey .... Oct. 4
London and Northern .... Oct. 24
Marshall's Universal .... Oct. 17
Moss Bros. .... Oct. 4
Spear (J. W.) .... Oct. 4
Transatlantic and Genl. Inv. .... Oct. 10

Finals—

Copson (F.) .... Oct. 3
Footwear Industry Inv. .... Oct. 4
London and Strathclyde Trust .... Oct. 10
Lowland Investment .... Oct. 22
Sirdar .... Oct. 3
Stothert and Pitt .... Oct. 9

Good start by Longton Transport

Mr. Alfred J. Dale, chairman of Longton Transport (Holdings), told shareholders at the annual meeting that profits in the first quarter of the current year were higher in all divisions than those in the same quarter last year. Trading prospects at present remained bright.

The chairman looked forward to an exciting period of growth and development in future years. The resolution to change the name of the company to Longton Industrial Holdings on November 1 was approved.

Downturn at Cockburn Cement

Cockburn Cement, a Western Australian subsidiary of Rugby Portland Cement, reports turnover down from A$15.34m to A$15.15m in the six months to June 30, 1979, and pre-tax profits of A$2.01m, against A$2.92m.

The directors say trading prospects for the year are not as favourable as had been indicated six months ago. There have been delays in the start of some large industrial projects and also in private housing development.

The interim dividend is held at 2.25 cents per share and a maintained final of 4.75 cents is expected.

Profit is struck after interest of A$454,000 (A$30,000) and depreciation, A$1.13m (A$1.1m).

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	12	½-year	1,000	1
Knowsley (051 548 6555)	12¼	½-year	1,000	5-7
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Redbridge (01-478 3020)	12¼	½-year	200	6-7

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 12.10.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12	12¼	12¼	12¼	12¼	12¼	12¼

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91, Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

CONTRACTS AND TENDERS

Sharp advance at Dunlop Australia

BY JAMES FORTH IN SYDNEY

DUNLOP AUSTRALIA raised group earnings by 31 per cent to A$ 21m (U.S.$ 23.6m) in the year ended June 30, reflecting gains in all areas of operations. The dividend is raised from 4 cents to 7 cents a share, which exceeds the forecast of 6 cents, and is covered by earnings of 16.1 cents a share.

The operating divisions and subsidiaries maintained market leadership, the directors said and improved their competitive position while generating a net cash flow available to fund new investment.

Sales rose 10 per cent from A$579m to A$637m (US$716m). The directors said that there had been a strong recovery in automotive and industrial activities including tyres, while clothing, footwear and textile divisions performed well.

Dunlop, which is about 10 per cent owned by Dunlop International of the UK, is pursuing a policy to slot its activities into non-tariff affected industries.

● Nicholas International, the Aspro pharmaceutical group, has raised its dividend following a 31 per cent boost in profit from A$ 4.95m to a record A$ 6.47m ($U.S. 7.2m) in the year to June 30. The result, the directors said, was in line with forecasts and represented a significant advance toward the achievement of the group's three-year targets.

UK and European operations again showed strong growth, with increased sales and profits also coming from the Pacific region. The holding in Nicholas Laboratories (Nigeria) was reduced to 40 per cent to comply with Nigerian law, and the results were now equity accounted.

The dividend is raised from 7.5 cents a share to 8.5 cents, on earnings of 16 cents a share, compared with 12.3 cents. Sales rose almost 12 per cent from $A 142m to $A 158m ($U.S. 178m).

● Major retailer, Grace Bros. Holdings, managed its 19th successive profit in the year ended July 28 and has raised the dividend. Earnings rose almost 11 per cent to A$13.9m. Pre-tax profit rose only 3.3 per cent, but investment allowances and the trading stock valuation adjustment reduced the tax provision by almost 7 per cent.

The past year has been tough for retailers and Grace managed an increase in sales of only 8.4 per cent to A$450m. However, the company still managed to improve its profit margins—from 3.05 cents in the dollar to 3.06 cents.

Looking ahead, the directors said that early hopes of buoyancy in the current six months were "seriously affected" by the government's mini-budget in May.

The board added that trading conditions since the end of the year at best had shown only marginal improvement with customers still reluctant to spend.

Uncertainty about fuel price increases, the prospect of further industrial stoppages and the likelihood of further economic and fiscal measures by the Federal Government would have an important influence on trading over the Christmas peak period.

The dividend for year is raised from 10 cents a share to 11 cents and is covered by earnings of 36.97 cents, up from 33.0 cents.

First half growth for Pick n Pay

By Jim Jones in Johannesburg

PICK N PAY, the South African retail concern, has registered a 27.6 per cent rise in pre-tax profits to R7.77m ($US9.4m) for the first half, to August 31, from R5.88m in the same period last year. Turnover rose 18.7 per cent to R257.9m ($US290m), from R217.12m.

The management looks for a further improvement in the current six months. The current half year includes Christmas trading and normally provides a larger proportion of turnover and profit.

In the year to February 28, turnover totalled R467m and pre-tax profit R15m — an advance of 41.5 per cent on the previous year's comparable figures.

At end-February, Pick N Pay operated 41 supermarkets and five hypermarkets, largely in South Africa's major urban centres. During the current year, the chain is being expanded by four rural superstores.

On first-half per share earnings of 184.6 cents against 144.1 cents, an interim dividend of 44 cents, compared with 34 cents, has been declared. Total earnings were 393 cents last year, and dividends 120 cents.

KHD acquires assets in Canadian engineer

BY ROBERT GIBBENS IN MONTREAL

MOST OF the assets of pulp and paper industry consulting engineers Stadler Hurter of Montreal have been sold by International Systems and Controls Corporation, of the U.S. to Klockner-Humboldt-Deutz, the West German heavy vehicle manufacturer. The deal has been approved by the Federal Foreign Investment Review Agency.

Stadler Hurter was set up in the 1920s by two Austrian engineers who emigrated to Canada. They built up one of Canada's best-known pulp and paper industry consulting businesses and had begun to operate in project management. The company designed the first stage of the Gilan forest products project in Iran, and was well advanced in the second stage when the Iranian revolution halted activity early this year.

● Sequem, the Quebec government-owned mining exploration and development company, has agreed with Silverpack Mines, a private company, that C$21m will be spent on preliminary development of a small gold property in the Cadillac area of the Northwest Quebec mining area.

Esso Malaysia increases dividend

BY WONG SULONG IN KUALA LUMPUR

AN INTERIM dividend of 25 per cent, against 10 per cent previously, has been declared by Esso Malaysia, following the announcement of a strong surge in first half profits.

The after-tax profit in the six months to June was 18.9m ringgits (U.S.$8.6m), compared with 7.3m ringgits for the first half of last year.

Last week, another oil operator, Shell Refining Malaysia also announced sharply increased interim profits, of 16.6m ringgits, against 3.2m ringgits previously.

Esso gave similar reasons to Shell's for its gain. These included the revision of its fuel supply contract to the National Electricity Board, appreciation of its inventories, higher sales and foreign exchange gains against the U.S. dollar.

Mexico plans capital goods venture

By William Chislett in Mexico City

MEXICO'S LARGEST holding company, Grupo Industrial Alfa, and the Spanish company Duro Felguera are to invest a total of 1bn Pesos ($44.2m) in a new venture to produce capital goods.

The new company, Makros, will be based near Monterrey in North Mexico, and will begin operating at the end of 1980. It will produce electronic arc furnaces, distillation towers, heat exchangers and travelling cranes among other things. Alfa is putting up 60 per cent of the capital and Duro Felguera the other 40 per cent.

Alfa estimates that Makros will save Mexico 800m Pesos ($35.3m) worth of capital goods imports a year. Its output is projected to increase by 25 per cent a year during the first four years of operation, at the end of which the company could begin exports if national demand is satisfied.

Mexico's capital goods imports are a heavy burden on the country's balance of payments.

Alfa, which last year reported a net profit of 1.89m pesos ($83.6m), is quickly moving into this field.

CURRENCIES, MONEY and GOLD

Gold keeps its glister

BY COLIN MILLHAM

Gold lost none of its glister in the bullion market last week. It first reached the $400 level in New York on Thursday, and later touched a record $402 in Hong Kong. London opened cautiously on Friday, and the metal was fixed at $397 in the morning, in line with the Hong Kong close.

At such levels the market remains acutely nervous, and very vulnerable to a sudden bout of profit taking. It is not a place for the faint-hearted or the amateur out to make his fortune. Anyone who bought krugerrands at $300 (£132) is now sitting on a profit of over $100 (£50) per coin. But the same investment now can hardly be expected to yield a similar return within two months, and could just as easily show a very large loss.

That is not to say that the market has reached a peak, but an investor putting money into gold or gold coins in the hope of a quick return must be prepared for the worst.

Many Americans are reported to be avid buyers of gold, and demand has certainly seemed very strong in New York recently. Another likely area of demand is the Middle East. The relatively small size of the gold market means that it is not an ideal place for a government to invest its surplus dollars, but the interest is there just the same, and may well come from wealthy individuals worried about the weakness of the dollar.

The initial rise in the price of gold was not accompanied by a corresponding fall of the dollar, leading to suggestions that the old link may have been weakened. It still seems to work the other way round however, with last week's sharp fall by the U.S. currency certainly encouraging the continued rise in the gold price.

GOLD

	September 28	September 27
Gold Bullion (fine ounce)		
Close	$397-399 (£180.45-181.35)	$394¾-395¼ (£179-180)
Opening	$396¼-398¼ (£180.6-181.6)	$382-384 (£175.2-174.2)
Morning fixing	$397.00 (£180.496)	$386.85 (£174.892)
Afternoon fixing	$397.50 (£181.068)	$395.50 (£179.243)
Gold Coins		
Krugerrand	$407¼-409¼ (£186-186)	$402-404 (£182¼-184¼)
Maple leaf	$422½-427½	—
New Sovereigns	$102-104 (£46¼-47¼)	$101-103 (£45¼-46¾)
King Sovs.	—	—
Victoria Sovs.	$118-120 (£53½-54½)	$116¼-118¼ (£53-54)
Fr20 Napoleon	FFr416-430 (SFr158-163)	—
50 pesos Mexico	$498-500	—
100 Cor. Austria	$389-391	—
$20 Eagles	$491-495	$491-495
$10 Eagles	$255-265	$255-265
$5 Eagles	$230-240	$225-235

OTHER MARKETS

Sept. 28	£	$		£ Note Rates
Argentina Peso	3209-3229	1455-1465	Austria	27-28
Australia Dollar	1.9460-1.9560	0.8850-0.8875	Belgium	63¼-64¾
Brazil Cruzeiro	64.81-65.81	29.40-29.90	Denmark	11.10-11.20
Finland Markka	8.19-8.20	3.7165-3.7185	France	8.95-9.05
Greek Drachma	80.40-83.55	36.40-36.55	Germany	3.80-3.90
Hong Kong Dollar	10.95½-10.97¼	4.9860-4.9900	Italy	1,760-1,800
Iran Rial	154.70-163.00	70¼-74	Japan	490-500
Kuwait Dinar (KD)	0.600-0.610	0.2752-0.2765	Netherlands	4.30-4.40
Luxembourg Frc.	62.10-62.20	28.20-28.22	Norway	10.65-10.80
Malaysia Dollar	4.7810-4.7910	2.1660-2.1680	Portugal	103-110
New Zealand Dlr.	2.1810-2.1970	0.9940-0.9970	Spain	143½-147½
Saudi Arab. Riyal	7.29-7.39	3.3435-3.3525	Switzerland	3.40-3.50
Singapore Dollar	4.70¼-4.71¼	2.1290-2.1410	United States	2.19-2.21
Sth. African Rand	1.81-1.82	0.8258-0.8290	Yugoslavia	45-50

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Sept. 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1900-2.2065	2.2020-2.2030	0.20-0.10c pm	0.98	0.75-0.65 pm	1.27
Ireland†	2.1325-2.1420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.1600-1.1610	1.1605-1.1608	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	1.9225-1.9390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	28.10-28.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Sept. 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1900-2.2065	2.2020-2.2030	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible], 12-month [illegible].

EXCHANGE CROSS RATES

Sept. 28	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.203	3.836	494.3	9.008	3.430	4.235	1766.	2.567	62.15
U.S. Dollar	0.454	1.	1.742	224.4	4.090	1.553	1.922	801.4	1.161	28.22
Deutschemark	0.261	0.574	1.	128.8	2.348	0.891	1.103	460.1	0.666	16.20
Japanese Yen 1,000	2.023	4.456	7.762	1000.	18.22	6.920	8.569	3571.	5.172	125.7
French Franc 10	1.110	2.446	4.259	548.7	10.	3.797	4.704	1960.	2.838	69.00
Swiss Franc	0.292	0.644	1.122	144.5	2.634	1.	1.264	516.1	0.748	18.17
Dutch Guilder	0.236	0.518	0.902	116.3	2.117	0.804	1.	414.8	0.601	14.61
Italian Lira 1,000	0.567	1.248	2.174	280.0	5.103	1.938	2.411	1000.	1.448	35.21
Canadian Dollar	0.391	0.862	1.501	193.3	3.523	1.338	1.664	690.4	1.	24.31
Belgian Franc 100	1.609	3.544	6.173	795.3	14.49	5.503	6.846	2840.	4.113	100.

LONDON MONEY RATES

Sept. 28 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-25	—	—	—	14¼	[illegible]	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	—	[illegible]	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	—	[illegible]	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills [illegible] per cent; four-month trade bills 14 per cent.

Approximate selling rate for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; three-month [illegible] per cent. Approximate rates for one-month bank bills [illegible] per cent; two-month [illegible] per cent and three-month [illegible] per cent; one-month trade bills [illegible] per cent; two-month [illegible] per cent and three-month 14½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from October 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice [illegible] per cent. Clearing Bank Rate for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.3639 per cent.

CURRENCY RATES

Sept. 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.609631	0.648544
U.S. $	10½	1.31775	1.42770
Canadian $	11	1.52938	1.65712
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian F.	[illegible]	[illegible]	[illegible]
Danish K.	[illegible]	[illegible]	[illegible]
D Mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
Allied Irish Banks	Nov. 1	Int. 3.5
*BSG Intl.	Oct. 11	Int. 0.916
*Baird (W.)	Oct. 16	Int. 4.422
Bejam	Oct. 9	Final 0.921
Berec	Oct. 27	Int. 1.2
Berkeley Hambro Prop.	Oct. 25	Int. 1.75
*Bowthorpe	Oct. 9	Int. 0.838
*British Home Stores	Oct. 17	Int. 3.1
Brittains	Sept. 8	Int. 0.7
Brooke Bond	Oct. 17	Final 2.254
*Cape Inds.	Oct. 2	Int. 3.1848
Central and Sheerwood	Oct. 17	Int. 0.675
Coates Bros.	Oct. 19	Int. 0.865
Coral Leisure	Oct. 25	Int. 3
Dawnay Day	Oct. 18	Final 1.25
*Debenhams	Oct. 11	Int. 1.776
Duport	Oct. 18	Int. 2.036
*EMI	Oct. 4	Final 5.97
Eastern Produce	Oct. 19	Int. 1.34
*Empire Stores	Oct. 10	Int. 2.479
*ERITH	Oct. 16	Int. 0.8
*Estates and Genl. Inv.	Oct. 2	Int. 0.5
*Freemans (Lond. SW9)	Oct. 8	Int. 3.15
Furness Withy	Oct. 17	Int. 3.85
Gerrard Nat. Disc.	Oct. 19	Int. 4.0
Gill and Duffus	Oct. 25	Int. 2.3
*Glaxo	Oct. 8	Final 6.9
Hawker Siddeley	Oct. 19	Int. 2.105
Hepworth (J.)	Oct. 31	Final 1.82
*Highland Distilleries	Oct. 22	Final 2.224
Johnson & Firth Brown	Sept. 14	Final 3.459
*Lesney Products	Oct. 9	Int. 1.178
Lister	Sept. 21	Final 1
London Brick	Oct. 25	Int. 1.4137
*London and Northern	Oct. 24	Int. 1.25
Mallinson-Denny Mott	Nov. 2	Int. 1.25
Marks and Spencer	Oct. 17	Int. 1.15
*Menzies (J.)	Oct. 10	Int. 1.275
Minet Hldgs.	Oct. 28	Int. 2.303
Minster Assets	Oct. 27	Int. 1.6
Mothercare	Oct. 23	Int. 1.136
Newman Inds.	Sept. 25	Int. 1.5
Newman-Tonks	Oct. 20	Final 3.153
Press (Wm.)	Oct. 26	Int. 0.4675
*Redland	Nov. 22	Int. 2.551
Reed Internml.	Oct. 31	Int. 3
Rugby Ptlnd. Cement	Oct. 16	Int. 1.193
*600 Group	Nov. 29	Int. 2.0354
*Scottish Met. Prop.	Oct. 8	Final 1.073
*Senior Eng.	Oct. 9	Int. 0.6516
Spillers	Oct. 25	Int. 0.825
UBM	Oct. 18	Int. 1.964
Wilmot Breeden	Oct. 18	Int. 1.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	14½ %
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½ %
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½ %	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	14 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	15 %
Choulartons	14 %	Security Trust Co. Ltd.	15 %
C. E. Coates	14 %	Shenley Trust	16 %
Consolidated Credits	14 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½ %
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	15½ %		
First Nat. Secs. Ltd.	15½ %		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p	Amount paid up	Latest Renunc. Date	1979 High	Low	Stock	Closing Price p	+ or –	Div.	Times Covered	Gross Yield	P/E Ratio
‡‡	F.P.	—	90	80	Barlow Hldgs.	84	–1	T2.6	1.1	4.4	29.3
‡‡	F.P.	—	95	88½	Fogarty (E.) Dfd.	90	–5	—	—	—	—
‡‡	F.P.	—	202	168	Saltrust A. Soc.	198	–3	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount paid up	Latest Renunc. Date	1979 High	Low	Stock	Closing Price £	+ or –
£91	F.P.	21/9	87	84	Aurora 8¼ Conv. Cum. Pref.	84	
¶	F.P.	21/9	107p	101p	Bradford Prop. 10½% Cum. Pref.	103p	+1
¶	F.P.	29/11	102	101¼	Eastbourne Waterworks 8% Red. Pref.	101¼	
¶	F.P.	29/11	102¼	98¼	Essex Water 8% Red Pref. 1984	102	
98¼	F.P.	—	99¼	99¼	London Trust 13¼% Deb. Stk. 2000-04	99¼	
¶	F.P.	—	73¼	73¼	Lonrho 9% 2nd Mort. Deb. 87/92	69½	
¶	F.P.	—	90¼	86	Do. 12½% 2nd Mort. Deb. 85-90	90	
¶	F.P.	—	99	93	Do. 12½% 2nd Mort. Deb. 80-85	96	
¶	F.P.	24/9	99¼	97½	Scot. Agricultural Sec. 13% Deb. 97-99	99	
100p	—	7/9	103p	100p	Stonehill 10½% Cum. Pref.	102pm	

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date		1979 High	Low	Stock	Closing Price p	+ or –
110	F.P.	4/9	19/10	137	120	Bank Leumi	120	
A$2	Nil	28/9	19/10	54pm	37pm	Bank of New South Wales	61pm	+4
20	F.P.	28/9	19/10	32	26	Banlox	29	
A$4.50	Nil	—	—	315pm	288pm	BH Proprietary	315pm	+10
125	F.P.	21/9	12/10	151	142	Estates Property Inv.	151	
93	Nil	2/10	19/11	12pm	4pm	Hepworth Ceramics	12pm	–5½
SM1.5	Nil	—	—	20pm	13pm	I.K.ulim	15pm	
53	F.P.	—	—	43	36	Lennons		
110	F.P.	14/9	12/10	147	120	Macarthys Pharm.	145	
40	F.P.	28/9	26/10	50	48	Nolton	48	
A$5	Nil	—	—	21pm	18pm	Peko-Wallsend	21pm	+1
‡‡	Nil	—	—	122pm	76pm	Saltrust	79pm	–1
145	F.P.	13/9	19/10	230	193	Unitech	230	+5
10	F.P.	5/9	17/10	12½	10½	Yorkgreen Invs.	12½	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

Public Works Loan Board rates

Effective from September 22

Years	Quota loans repaid by EIP†	At‡	at maturity§	Non-quota loans A* repaid by EIP†	At‡	at maturity§
Up to 5	12¾	12¾	12¾	13¼	13¼	13¼
Over 5, up to 10	12¾	12¾	13	13¼	13¼	13½
Over 10, up to 15	13	13	13	13¼	13½	13½
Over 15, up to 25	13	13	13	13½	13½	13½
Over 25	13	13	13	13½	13½	13½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CORAL INDEX: Close 468-473

INSURANCE BASE RATES

† Property Growth	13¾%
† Vanbrugh Guaranteed	12¼%

† Address shown under Insurance and Property Bond Table.

INSURANCE

Cutbacks threaten supervisory division

BY OUR INSURANCE CORRESPONDENT

THERE ARE some 800 insurance companies authorised to do business in this country: 632 incorporated here and 168 overseas based. At Lloyd's there are over 360 syndicates backed by more than 14,000 underwriting names.

The insurance division of the Department of Trade is responsible for supervising the British insurance market via the basic statutes and growing number of regulations. Increasingly throughout the last decade the division has been concerned with insurers' financial stability—the solvency not only of existing insurers but also of new entrants. So much so that during recent years of Governmental control over prices of goods and services, premium rating increases have been supervised not by the Price Commission but by the Department so to keep its eyes firmly on the solvency target and agree premium incrases vital to maintain that solvency.

When Dr. Savundra in 1963 launched the Fire, Auto; Marine on £2,000 cash and a £48,000 note of credit drawn on a worthless Liechtenstein company established for that purpose, there were some 24 civil servants actively engaged in the then not very onerous task of insurance supervision.

In the wake of the FAM fraud their numbers began to grow: the growing public consciousness of the need for policyholder protection was increased by the motor insurance failures of the late 1960s and early 1970s, the more recent troubles of some fringe life companies, and accentuated by the pricing duties of the mid-1970s. The number of civil servants employed in the insurance division is now about 100.

It is almost heresy to suggest there are too few civil servants, particularly when the present Government is intent on reductions. However, the insurance division ranks are indeed thin when compared with supervisory regiments in Europe and elsewhere. The small British contingent reflects very much the differing balance between supervision and self-regulation here as distinct from overseas.

Now it is suggested the 100 may be reduced and the civil servants are already saying that whatever the arguments over reduction of establishments elsewhere, it cannot be in the public interest to slim down the insurance division even though recently relieved of its price supervisory duties.

Their argument is that the division's work, with the hindsight of the FAM and Vehicle and General failures etc., is essential to prevent similar disasters: that staff cuts will involve a relaxation of supervision increasing the outside risk of another carefully planned fraud, but also involving the greater possibility of newly formed companies getting into difficulties in their early years.

With 84 new companies authorised in the last decade and 15 new companies on average entering the market each year, the argument is that supervisory work must be increasing. This of course does not take into account extra duties that may have to be shouldered in the next year or two as a result of Common Market developments.

The civil servants feel reducing their numbers will tilt the balance between adequate supervision and self-regulation by a perceptible degree in the direction of more self-regulation; the implication is that this is undesirable because not all insurers can be 100 per cent relied upon to keep to the requisite straight and narrow path without the insurance division watchdog at its best.

Without conceding any of these arguments, surely the essential question is whether the division's present strength is adequate, more than adequate, or less than adequate, not only for its present but its currently foreseeable future duties, involving supervision of insurers handling in excess of £5bn premium income a year. It is on the answer to this question that the feasibility of any reduction in numbers must be resolved.

Natwest opens U.S. office

County Bank, National Westminster Bank's merchant arm, is to open a representative office in New York covering the U.S., Canada, Bermuda and the Caribbean.

The office will assist clients with their U.S. business and investment in the U.S.

APPOINTMENTS

Senior post at Heron Motor

Mr. Peter Reynolds, chief executive, has been appointed deputy chairman of the HERON MOTOR GROUP. He will continue to head the Group's executive team. Mr. Donald Ranger has been elected to the Group Board.

★

Mr. P. L. Goldie, Mr. T. W. N. Guinness, Mr. P. M. N. Jennings and Mr. J. G. Wolfenden have been appointed directors of GUINNESS MAHON AND COMPANY following the resignations of Mr. C. B. B. Beauman, Mr. R. A. W. Caine and Mr. G. Metcalf.

★

Mr. G. A. Higham and Mr. B. Hardcastle have been elected directors of THE RUGBY PORTLAND CEMENT COMPANY.

★

Sir Monty Prichard has been appointed as non-executive chairman of BROWN BROTHERS CORPORATION following the retirement of Mr. E. G. Spearing as executive chairman.

★

Mr. D. A. Beese, chairman of R. A. LISTER FARM EQUIPMENT, a Hawker Siddeley company, will also become general manager on October 31. He succeeds Mr. M. R. Waterland who is leaving to take up an appointment outside the company.

★

Mr. Guy Parsons has been appointed executive partner-in-charge of the United Kingdom insolvency practice of PEAT, MARWICK, MITCHELL AND CO.

★

Mr. John Blackburn has been appointed insurance officer of HILL SAMUEL GROUP and has resigned his responsibilities as divisional director and midland regional chairman of Lowndes Lambert, the Group's insurance broking arm.

★

Mr. W. Barnes has resigned from the Board of CARRINGTON VIYELLA on reaching retirement age. He will continue as chairman of the Cotton and Allied Textiles E.D.C.

★

Mr. G. Boden has been appointed joint managing director and Mr. G. J. Bennett and Mr. M. H. Stephenson directors of STEWART WRIGHTSON (UK). Following a restructuring of the management of Stewart Wrightson's regional organisation, three new companies have been formed: Stewart Wrightson (Northern Region) with Mr. A. P. Gavaghan as managing director and Mr. M. E. Ingle, Mr. R. A. Jewell, Mr. D. W. Lilly and Mr. D. N. G. Mason as directors. Stewart Wrightson (Western Region) with Mr. H. Purchase as managing director and Mr. K. J. Curran, Sir Ralph Dodds, Mr. C. R. H. Parry and Mr. P. J. Shepperd as directors. Stewart Wrightson (Eastern Region) with Mr. B. E. Payn as managing director and Mr. M. B. Skyrme, Mr. J. C. Squire and Mr. J. G. W. Utting as directors.

★

Mr. D. W. R. Harland has been appointed group financial director of COMMODITY ANALYSIS and of CHART ANALYSIS. He succeeds Mr. D. A. Shaw who has resigned from all his directorships within the Group.

★

Mr. J. Evans has been appointed a director of THE SOLICITORS' LAW STATIONERY SOCIETY.

★

Mr. S. Dawson has been promoted to divisional director of The NATIONAL ENTERPRISE BOARD.

★

Mr. Tora has joined the Board of VAN CUTSEM AND ASSOCIATES as director in charge of the UK investment management department.

★

Mr. David Lock, managing director of Private Patients Plan, has been appointed to the Board of Governors of the NUFFIELD NURSING HOMES TRUST.

★

Mr. John Birch, deputy chairman of BURSON-MARSTELLER LIMITED, has been appointed vice-president, international operations, of New York-based BURSON-MARSTELLER INTERNATIONAL.

★

The Secretary of State for Trade has appointed Professor Alan C. L. Day a member of the AIR TRAVEL RESERVE FUND AGENCY for a period of two years from August 17, 1979. Miss V. Di Palma and Mr. R. A. Pycroft have been reappointed to serve as members of the Agency for a further period of two years from July 12 and July 4 respectively.

★

Mr. C. G. E. Scotland has been appointed to the council of the ASSOCIATION OF LICENSED DEALERS IN SECURITIES. He is a director of Thompson Clive Finance.

★

Mr. Georges F. Barry, manager of the London branch of BANQUE DE l'INDOCHINE ET DE SUEZ, has returned to Paris to take a new appointment in the banking correspondent division of the head office. Mr. Francis J. Klein will be manager in London.

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	Sept. 28	Sept. 27	Sept. 26	Sept. 25	Sept. 24	Sept. 21	1979 High	1979 Low	Since Compil't'n High	Since Compil't'n Low
● Industr'ls	878.58	887.46	886.35	886.18	885.84	893.94	893.94 (21/9)	807.00 (27/2)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	82.78	82.84	83.85	83.12	83.24	83.47	86.10 (15/6)	82.78 (28/9)	—	—
Transport	260.47	262.17	262.47	262.66	263.15	265.24	271.77 (15/8)	205.78 (27/2)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.90	107.17	106.36	105.66	105.75	108.29	109.81 (25/9)	98.51 (15/6)	163.32 (20/4/69)	10.58 (28/4/42)
Trading Vol 000's†	35,250	33,240	37,990	32,510	35,980	32,63	—	—	—	—

● Day's high 889.95 low 873.00

Ind. div. yield %	Sept. 21	Sept. 14	Sept. 7	Year ago (approx)
	5.56	5.65	5.67	5.50

STANDARD AND POORS

	Sept. 28	Sept. 27	Sept. 26	Sept. 25	Sept. 24	Sept. 21	1979 High	1979 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	122.09	125.15	122.85	122.53	122.40	125.46	123.56 (20/9)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	108.32	110.21	109.96	109.68	108.61	110.47	110.51 (20/9)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Sept. 26	Sept. 19	Sept. 12	Year ago (approx)
Ind. div. yield %	4.97	5.06	5.05	4.86
Ind. P/E Ratio	8.18	8.04	7.74	9.43
Lond Gov. Bond Yield	9.16	9.13	9.11	8.58

N.Y.S.E. ALL COMMON

Sept. 28	Sept. 27	Sept. 26	Sept. 25	1979 High	1979 Low
62.24	62.68	62.57	62.40	62.88 (21/9)	53.88 (27/2)

Rises and Falls

	Sept. 28	Sept. 27	Sept. 26
Issues Traded	1,844	1,869	1,882
Rises	502	657	839
Falls	935	746	572
Unchanged	407	467	471
New Highs	—	85	98
New Lows	—	52	38

MONTREAL	Sept. 28	Sept. 27	Sept. 26	Sept. 25	1979 High	1979 Low
Industrial	318.96	318.14	317.66	314.84	318.14 (27/9)	219.19 (2/1)
Combined	303.33	304.99	303.64	301.68	304.99 (27/9)	225.80 (2/1)
TORONTO Composite	1751.9	1758.8	1751.2	1758.9	1758.8 (27/9)	1316.8 (2/1)
JOHANNESBURG Gold	411.8	400.2	394.9	370.2	411.8 (28/9)	228.4 (17.4)
Industrial	374.1	372.5	368.1	365.2	374.1 (28/9)	278.5 (2/1)

	Sept. 28	Previous	1979 High	1979 Low
Australia (¶)	687.81	685.65	687.81 (28/9)	545.72 (2/1)
Belgium (‖)	107.58	107.27	109.00 (5/7)	98.80 (3/1)
Denmark (**)	92.65	92.89	97.46 (25/7)	88.32 (8/1)
France (††)	102.7	102.7	103.5 (28/9)	71.5 (15/2)
Germany (‡‡)	769.68	761.7	839.6 (15/1)	719.4 (7/6)
Holland (§§)	74.2	74.1	85.9 (24/1)	71.3 (7/6)
Hong Kong (¶¶)	685.85	683.70	685.85 (28/9)	493.65 (2/1)
Italy (‖‖)	91.01	89.88	91.01 (28/9)	68.38 (2/1)
Japan (a)	462.85	460.35	462.97 (31/1)	436.13 (13/7)
Singapore (b)	420.31	418.41	420.31 (28/9)	346.34 (25/2)
Spain (d)	90.09	90.29	111.96 (6/3)	90.09 (25/9)
Sweden (c)	345.58	344.77	401.34 (6/2)	331.57 (24/9)
Switzerld (f)	325.1	325.8	329.1 (2/5)	294.0 (5/1)

Indices and base dates (all base values 100 except NYSE All Common — 50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Pan Amer. Air.	469,400	7	$-\frac{3}{8}$
Amer. Tel. & Tel.	435,200	55	$-\frac{1}{4}$
Louisiana Land	379,500	$45\frac{1}{2}$	$+\frac{1}{2}$
Mobil	378,800	$51\frac{1}{4}$	$-1\frac{1}{4}$
Fannie Mae	363,700	$17\frac{3}{4}$	$-\frac{1}{2}$
IBM	316,300	$67\frac{1}{2}$	$-\frac{1}{2}$
Champion Intnl.	291,600	27	$-1\frac{1}{8}$
Kerr McGee	289,500	$60\frac{7}{8}$	$+1\frac{1}{4}$
Gulf Res.	272,600	$19\frac{1}{4}$	$+1\frac{1}{2}$
Gulf Oil	265,500	$33\frac{1}{4}$	$-\frac{3}{8}$

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Monday October 1 1979

Hong Kong Mass Transit Railway

First stage opens today

By Philip Bowring

Despite early economic and engineering obstacles, today sees the opening of the first stage of what has been called Asia's largest building project — the Hong Kong Mass Transit Railway. By the mid-1980s an estimated 1.8m passengers a day will be using the railway, which is likely to become the most heavily-used underground system in the world.

The first section of track to be laid for the system was an underground feeder line (left) from Kowloon Bay Depot. Henry Boot Railway Engineering of Sheffield with Gammon (Hong Kong) supplied and laid all track for the MTR. Right: a train on part of the system's elevated section

TODAY SEES the inauguration of the first eight kilometres of Hong Kong's Underground—the Mass Transit Railway (MTR). This is not simply the opening of the first stage of the largest and costliest project (HK$12bn) ever undertaken in Hong Kong—it is the celebration of a project which came back from near death to triumph over major economic and engineering obstacles. It is a project which, in conception, had a psychological as well as practical objective.

Certainly, Hong Kong's immense traffic problems needed an ambitious solution. But the commitment made by the Government in 1973 to such a massive long-term project, and one which, for the first time, involved the government in significant borrowing, was an expression of faith in Hong Kong's future.

It is coming to fruition at a time when that faith seems to have been justified by the turn of events in China and the shrinking of the cloud of 1997—the date on which in theory capitalist Hong Kong reverts to Communist China. It is not without significance that today is also the National Day of the Peoples' Republic of China.

The project itself has needed plenty of faith, too. On a bleak January day back in 1975, Hong Kong's financial secretary, Mr. Philip Haddon-Cave, announced in a voice taut with anger that a Japanese consortium led by Mitsubishi had reneged on a letter of intent, given almost a year earlier, to build the initial 22-kilometre system on a turnkey basis for a fixed price of HK$5bn.

In late 1973, the Mitsubishi consortium had scooped an international field to win the contract by being the only contender to offer a ceiling price. But now, faced with escalating costs, it was declining to deliver.

This shock hit Hong Kong during the depths of the 1974-75 recession, when unemployment was high, business sentiment at a low ebb, and the stock market on the floor. But the determination of the Government, and of Mr. Haddon-Cave in particular, was redoubled by the adversity. Hong Kong lopped 20 per cent off the size of the initial system, split the project into multiple contracts, and set a time and contract price target HK$ 5bn.

However, it had to concede that price escalation was unavoidable. So the project became a big gamble—but the gamble paid off. Four and a half years later, the first stage of the railway is opening ahead of schedule and under budget.

The section being opened today will go from the new industrial/residential area of Kwuntong, through the railway's Kowloon Bay depot (on top of which a mini-city for 20,000 people is being built), to Shek Kip Mei, site of Hong Kong's oldest and grubbiest squatter resettlement estates. By February, the whole of the Modified Initial System will be open, from Shek Kip Mei, through the dense heart of Central Kowloon—which has the world's highest population density—under the harbour, to the central business district on Hong Kong island. That will complete the 15.6 kilometre Modified Initial System (MIS). By the end of 1982 a further 10.5 kilometres, known as the Tsuen Wan Extension (TSE), will be opened. This line comprises that part of the initial system lopped-off after the Mitsubishi withdrawal, plus additional line reaching out to the new satellite town at Tsuen Wan. The go-ahead for the extension was given in mid-1977 as a result of favourable experience with contract prices for the MIS, a more buoyant economic outlook, and a rapid increase in population along the TSE line axis. Continuity of construction was expected to lower contractor's costs.

The extension (after adjusting for inflation) is cheaper per mile than the MIS because more is either overhead or by cut-and-cover construction, rather than by tunnelling through Hong Kong's very difficult subterranean conditions. The extension will raise the overall usage of the railway and increase the system's projected rate of return on capital from 13.5 to 14 per cent.

It is estimated that by mid-1980, when the Modified Initial System is fully operational, 500,000 passengers will be using it daily. By the mid-1980s it is estimated that passengers will have increased to 1.8m a day (compared with an original estimate of 1m before the Tsuen Wan Extension was given the go-ahead). Fares will range form HK$1 to HK$3, with an estimated average of HK$2.

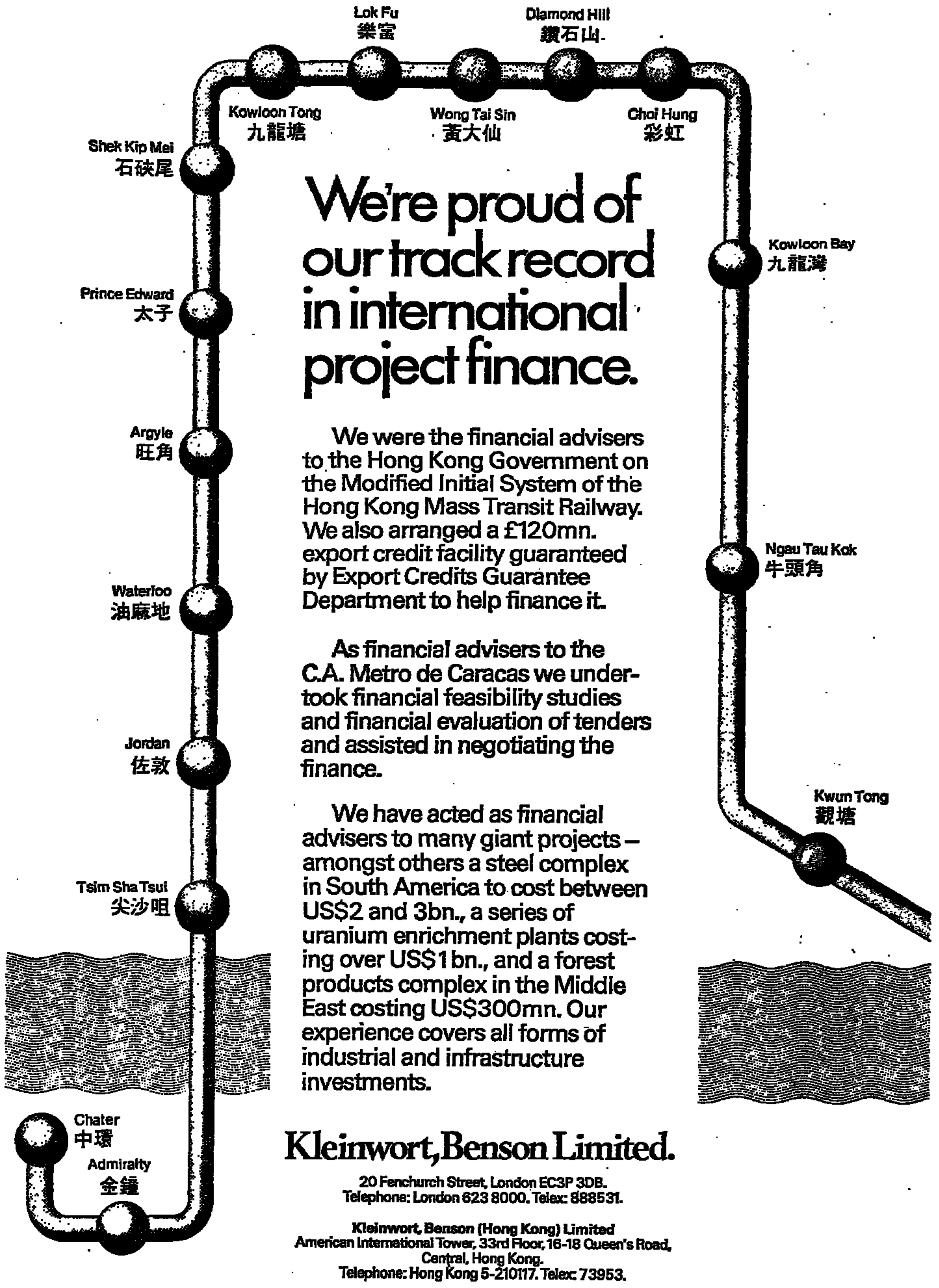
Even if passenger projections are not met, it is going to be a very heavily used system with (almost) standing room only on the trains and massive station concourses.

But what will be easily the world's most expensive per kilometre railway needs two factors to justify it. Firstly, the density of Hong Kong's population, and secondly, the location, near its axis, of industrial, commercial, residential, port and entertainment districts which ensure heavy usage throughout the day, and well into the night. Constant use contrasts with many other undergrounds where economic viability is damaged by brief commuter hour peaks.

But even in Hong Kong it is not clear how much more underground can be viable. The next stage should be a link-line along the densely populated northern edge of Hong Kong island. Interchange facilities are already being built into Chater and Admiralty stations, but the Government is instead looking now at cheaper above-ground interim traffic solutions for that route. No extensions to the underground are likely to be sanctioned till the MIS and TSF are operating profitably.

Hongkong's enchantment with the idea of the system has not gone so far that the word profit has been forgotten. It is alive and well not just in the revenue projections but in the massive above-station commercial and residential developments that the MTR has initiated and which will create revenue for the railways, as well as property development and rental profits for the corporation.

The MTR's construction has also highlighted another Hongkong characteristic — disdain for the environment and good neighbourliness. The price of rapid construction has been an abundance of noise, dirt and traffic chaos, not all of which may have been necessary. The millions who live and work on Kowloon Peninsula and Hong Kong's central business district will have more than one reason for cheering the completion of this mammoth undertaking.



Project proceeds on target

HONG KONG'S high water table and diverse geological conditions pose difficult construction problems. On top of them, literally, is a further hazard—one of the most densely-packed populations in the world. Companies must reconcile the tight construction schedule with minimisation of disruption to residents, businesses and traffic on the surface. Inevitably, the latter loses out.

The corporation view is that "it could have been 20 times worse," which undoubtedly is true. Traffic, for instance, has been kept flowing and the number of demolished properties kept to a minimum. But adhering to the timetable has been made easier by the tolerance of the Hong Kong public to noise and inconvenience—partly borne of a lack of faith in the efficacy of complaints. Certainly, the shatteringly noisy machines operating only a few feet away from pedestrians and shops would not have been allowed in Europe—nor would some of the working conditions been tolerated by European unions.

The most that can be said is that the work is being completed on target—which means in the shortest time possible—so the duration of the inconvenience has been reduced. (The original mass transit proposal entailed 13 years' construction.)

Much of the drive to keep the job on schedule must be attributed to Norman Thompson, chairman of the corporation. His approach has won grudging respect from contractors, through a number of his senior colleagues feel overshadowed by his authoritarian manner.

Thompson, spurred by the knowledge that a delay in completion could cost the corporation HK$1m a day in lost revenue, has used every trick in the book to keep contractors up to the mark. When a Japanese company fell behind programme, for example, he flew to Tokyo and warned the company president that if the railway was held up by his outfit the international loss of face would be monumental.

In the face of tough international competition, British manufacturers Metro-Cammell won the contract for 210 rail cars

A more serious complaint by local contractors is that, the expatriate staff brought in by the corporation to supervise construction made no allowance for Hong Kong's traditional working methods. The procedure in the colony is to shake hands and get on with the job, assuming that goodwill will be sufficient to iron out difficulties encountered while work is in progress—even design details are often worked while construction goes on. The corporation adopted the normal international approach of drawing up a detailed programme and sticking to it.

Danger

Local companies, and Japanese contractors (who initially experienced difficulties dealing with English-speaking officials) stored up problems for themselves by failing to respond formally to corporation officials who felt companies were falling behind or not fulfilling their obligations. The companies concerned belatedly realised the danger, and several recruited expatriate staff specifically to write the appropriate replies and make a response that would protect the company.

Mr. R. J. Blake, chief engineer of Paul Y, a local company which won six contracts—the biggest allocation of work to a single contractor—considers that this experience has brought about a permanent change in Hong Kong's contracting procedures.

Like other international concerns, on the other hand, the Gammon-Kier-Lilley (GKL) joint venture stood its ground and argued its case when it ran into serious difficulties over unexpected ground conditions. There was a tense period of strained relations between the consortium and the corporation, which feared that the railway's opening date was being jeopardised, but in view of the corporation's own rigorous approach and the HK$100m contractual claim involved, the company was probably justified.

Once compensation was sorted out, GKL threw itself into catching up with the programme. By bringing in more equipment, employing additional labour, working round the clock, altering construction techniques and modifying station designs, it not only made up the six months delay but has moved ahead of schedule.

"We've virtually crammed two years work into the last 12 months," says Dave Eastwood, GKL project manager.

"To catch up we drew up an extremely ambitious programme. In normal circumstances it would be considered impossible, but you can demand high levels of performance here in terms of resources and work because people are prepared to work shoulder to shoulder for 24 hours a day"

Although contractors have the benefit of "a docile workforce who share the Hong Kong ethic," the pressure of work has pushed up wage rates—the 7,300 workers employed during the peak construction period represents over 10 per cent of the total construction workforce in Hong Kong. A foreman's wage has risen from HK$1,500 a month to HK$3,500, and on the Tsuen Wan extension he can expect to earn HK$5,000.

The demand has pulled in untrained labour, mostly from factories — the Public Works Department is deferring other major construction projects in order to avoid exacerbating the labour shortage.

Material costs have also risen. Overall, Mr. Eastwood reckons costs have climbed 45 per cent in three-and-a-half years, an increase which was not foreseen by companies which opted for the fixed price contracts favoured by the corporation. Unwillingness to work under terms far removed from the cost-plus basis appears to account for the lack of British interest in the HK$ 4,000m civil engineering contracts for the modified initial system or for the contracts for the Tsuen Wan extension. British consultants and electrical and mechanical contractors, however, put in a strong showing.

"Japanese companies showed more interest than the rest of the world's contractors added together," Mr. Thompson points out. They have performed well, although Kumagai Gumi's HK$ 200m contract for the 1,400 metre immersed twin-tube under the harbour fell six months behind schedule because of leaks during the formation of the construction dock.

It, too, made up time and finished ahead of schedule — helped by the good weather which has prevailed through most of the contract period. Climatically, the most serious setback has been the typhoon which hit Hong Kong earlier this year. It did not affect completed parts of the railway but deluged workings on admiralty and charter stations, causing substantial damage to equipment.

The harbour tunnel was one of the few contracts for which consultants prepared a completed design, involving fourteen 7,500-ton reinforced concrete units lowered into a dredged trench containing a screed mattress.

Other contracts were let on a

CONTINUED ON NEXT PAGE

How the finance was raised

THE OBJECT of money in Hong Kong is to make money. But when, in early 1973, the Hong Kong Government set out, following the withdrawal of the Mitsubishi Group from its turnkey, fully financed offer, the world abounded with sceptics that Hong Kong's mass transit system would show any kind of return on the huge investment needed — let alone the quick returns to which Hong Kong is accustomed and which were needed if borrowings were to be repaid rapidly.

Certain Swedish bus salesmen arrived in town at around that time to pour public scorn on government claims and tout alternative forms of mass transport.

Two factors were working against easy financing. First, the abysmal profit record of almost every other underground railway in the world whose continuing losses were sustained by kindly governments on the basis of claimed welfare advantages. To make it worse, Hong Kong's projected railway was already costed at a far higher figure per route mile than any other underground, including San Francisco's BART. Construction cost alone would be around US$120m per mile.

Second, the Government found itself embarking on the project at a time of rampant world inflation which had caused Mitsubishi to pull out and left worries about where multiple contracts with open-ended escalation clauses might lead a normally highly conservative Government.

Offsetting these two big question marks were the creditworthiness of the Hong Kong Government—a Government which then had almost no debt and foreign-invested revenue reserves of several hundred million U.S. dollars. However badly the railway might do financially, however large the cost overruns, the Hong Kong Government would be there to pay the bills.

Second, the MTR was approaching civil engineering concerns and major capital equipment makers at a time when the world was in the depths of recession and capital goods industries were facing especially bleak times. For the MTR, it was a buyer's market.

Almost five years later, the MTRC can claim to have achieved most of the finance-related goals it set for itself, and in many cases exceeded them. Cost of the MIS looks likely to be about HK$ 100m under the original HK 5.8bn estimate, even after allowing for HK 113m losses on early repayment of yen export credits.

Terms of loans have been at least as long as originally expected and the corporation has succeeded in finding a much higher proportion of the cost, both for the MIS and the TSE, in Hong Kong dollars, thus reducing the exchange risk.

In the process of raising the funds, the MTR has been responsible for creating new financial instruments in Hong Kong and for introducing a radical new element into the export credit financing practices of several countries.

Apart from the uncertainty as to just how many people are going to use this expensive construction, there is only one significant financial cloud over the MTR at present. That is the Hong Kong dollar exchange rate.

Costs

The construction costs so far have been well within target expressed in terms of Hong Kong dollars converted at the rates prevailing at the time work payments have been made. But the sharp decline that the Hong Kong dollar has undergone over the past 18 months—about 10 per cent on a trade-weighted basis—has significantly raised the local currency cost on the basis of conversion of foreign debt at current exchange rates.

Of total debt so far arranged of about HK$ 10.4bn—covering general finance and export credits for both the MIS and TSE—approximately HK$ 4.3bn is in local currency and HK$ 6.1bn equivalent in foreign currency, of which 75 per cent is in U.S. dollars, and about 18 per cent in sterling.

Though the Hong Kong dollar has declined much less sharply against the U.S. dollar than against its trade-weighted average, it will need to recover several percentage points if the eventual cost of the railway is not to exceed estimates significantly.

Exchange fluctuations are a fact of financial life today. At least the corporation has arranged most of the money it needs. It now requires only an estimated HK$800m in additional finance between now and end-1982, when the whole system is scheduled to become operational, to meet both contract costs and capitalised interest charges.

The original estimated cost, excluding financing charges, of the MIS was HK$ 5.8bn, comprising HK$ 800m in equity from the Government which has gone to meet pre-operational overheads, expenses, land and compensation costs. The HK$ 5,000m estimated actual contract cost comprised HK$ 3.9m in terms of 1974 estimates escalated at an annual rate of 7 per cent.

The other element in the MIS was assumed pre-operational interest of around HK$ 1bn, assuming interest rates of about 8 per cent on export credits and 8.5 per cent on commercial loans. So far the actual interest is falling within target for the MIS.

High current rates were earlier compensated by low rates prevailing until mid-1978, particularly on Hong Kong dollar loans. If high interest rates prevail, the estimates both for initial cash flow and for cost of the TSE could go haywire. However, the corporation's financial projections are nothing like as sensitive to interest rate changes than to changes in capital costs. As the MIS is now largely complete, its capital costs are known.

As for the TSE, the corporation succeeded in placing almost all contracts at fixed prices, compared with only one third of the MIS. The corporation has therefore been doubly lucky. It got through most of the period of escalating contracts during a time of price stability. For the first three years of construction consumer prices in Hong Kong were rising at 5 per cent or less and steel and cement prices were quite weak. Outside Hong Kong too those years were ones of relative price stability compared with what happened before and after.

The corporation was able to take advantage of the relative price stability in the 1975-78 period to persuade contractors to accept fixed prices for the extension. They may rue the day. They are now bearing the brunt of international inflation rates of close to 10 per cent and a Hong Kong rate well into double figures.

Recently the Government said construction costs had risen 30 per cent in the past year alone. So the civil engineering contractors — mostly Japanese for the TSE — could be headed for some hefty losses.

The MTR, of course, will bear some of the brunt through higher interest costs — Hong Kong's best lending rate is now a record 14.5 per cent. But inflation is working harder in the other direction to reduce the real costs of the project.

The MTR has also been able to profit from Hong Kong's recent boom by cashing in on the demand for property. Cash flow from property developments associated with the MIS have produced nearly HK$800m. Of this amount, HK$335m represents land development premiums satisfied by issue of HK$335m of additional equity capital to the Government.

Profit

The remainder is pure development profit achieved with next to no risk or capital outlay. All properties have been developed on a joint venture basis with private companies which have been required to bear the construction costs.

All in all, Hong Kong's recent inflationary boom, which some in part blame on the MTR's heavy spending, has worked to the financial advantage of the corporation. And it should more than outweigh losses which may be realised as a result of the ensuing weakness of the Hong Kong dollar.

Quite apart from movements on the debt side, inflation in other costs which should make it quite easy for the railway to raise its fares above the initial levels—which will range from HK$1 to HK$3.

In terms of timing, the MTR long enjoyed a liquid Hong Kong dollar market and low interest rates. The MTR was also lucky with its timing in that it was able to raise for the MIS far more Hong Kong dollars than it had originally estimated, and at cheap rates.

And in the process it introduced new instruments into the local financial market. In May, 1976, it made a ten-year bond issue with a coupon of 9½ per cent. This was the first bond issue of such a size and of longer maturity than Hong Kong had seen. Unfortunately, it prompted other borrowers to follow suit very quickly and over-exploit the situation. Other borrowers too were able to use offshore routes to avoid interest withholding tax—a device which was considered unseemly for a government-owned corporation.

By the time the MTR was interested in coming back for another with another big local bond issue, the market was saturated.

However, in May last year, shortly before local interest rates began their steep upward climb, the corporation raised HK$207m through an issue of five-year guaranteed notes. The Government helped keep the rate low by allowing the notes to qualify as specified liquid assets for the purposes of local banks—which absorbed virtually the whole issue. In February this year, the MTR developed a third local funding instrument: issues of short-term commercial paper. Currently about HK$105m is outstanding.

During the period of easy local liquidity the corporation was also able to raise some big locally-syndicated bank loans, starting with a HK$500m 7-year facility in 1975. These loans have all been based on a spread over the bank's best lending rate. The spread has narrowed significantly since the first such loan but is still generous to the banks. The MTR is likely to avoid further syndications until local interest rates fall significantly.

Next time the MTR may find it also has to link them to inter-rate. In recent times the prime bank rates rather than prime rate has often tended to lag behind interbank, badly squeezing foreign banks reliant on the interbank for funding and which may have been taking some losses on participation in earlier HK dollar syndications for the MTR.

In raising U.S. dollar syndicated loans the MTR has also seen an improvement in its terms. When its first such loan, for U.S.$400m, was arranged in November 1975, the MTR was still something of an unknown quantity and markets were still nervous from Herstatt and other disasters. The MTR had to pay a spread over libor of 1.675 per cent. However, that loan was twice renegotiated, the amount enlarged to U.S.$600m and the spread reduced to 0.75 for the first seven years and 0.875 for the final three years.

The sharp improvement was achieved despite the fact that government guarantee now only covers part of the loan compared with the whole of it initially.

Success

But the most successful aspect perhaps of the MTR financing has related to export credits. These have accounted for HK$2bn, equivalent of the 5bn contract cost of the MIS, and 1.7bn of the 3.9bnu cost of the extension. For the MIS terms were favourable, with interest rates averaging about 8 per cent, grace periods up to 1980 and repayments over 10-12 years—in line with the cash flow projections. However, they were in a mixed bag of currencies reflecting the nationality of the supplier, exposing the corporation to a multiplicity of exchange risks.

But in late 1977, the MTRC prevailed on the UK Export Credit Guarantee Department to enter into a complex and at the time unique arrangement to finance the supply of additional rolling stock from the British company Metro-Cammell—which had won the original rolling stock contract. The deal provided for the cost of the equipment to be at a fixed price in Hong Kong dollars. The loan itself was structured in such a way that the MTR's currency exposure was only to changes in the HK-U.S. dollar rate, not the more volatile HK-sterling rate.

The MTRC's hard-bargaining chairman, Mr. Norman Thompson, used the ECGD deal to extract similar types of arrangements with other export credit institutions. In particular, he was at pains to ensure no more major borrowings in hard currencies such as yen and German marks. He was successful. Now, about 70 per cent of Exim credits for the extension are in HK dollars, and the rest in U.S. dollars. Effectively, the MTR has borrowed HK dollars from the Japanese and British, and U.S. dollars from the Germans and Americans.

It is obviously not possible to predict how exchange rates will have moved by the time of repayment. The MTRC is now partly protected against an exchange rate imbalance between its debt and its revenues.

Meanwhile, interest rates on export credits for the extension are only slightly above those for the MIS. The corporation grows more confident by the day that its estimates of a 12-year payback for the MIS and 10 years for the extension will be met. The return on the incremental capital of the extension is projected at 15 per cent, compared with 13.5 per cent for the MIS. Positive cash flow is expected by 1984.

But if interest rates continue at the present very high levels, the corporation will have to aim for a higher rate of return to meet repayment objectives because more than half the borrowings are at floating rates

Operating costs mostly should be fairly predictable within the framework of the general rate of inflation. So there is only, from the financial viewpoint, one major unknown left—the passengers. How many will there be? What will be their average journey length? And how sensitive will traffic be to changes in fares?

There is not much doubt that the train will be a much quicker form of transport than the buses, ferries and mini-buses with which it will compete. Bus and ferry fares are currently very low. How much the average Hong Kong resident is prepared to pay for speed and convenience—but perhaps with some loss of comfort—will soon be seen.

Philip Bowring

COSTS OF THE SYSTEM

THE APPROXIMATE costs of the system include the following:

The Modified Initial System (MIS) contract, HK$4.8bn; MIS land and overhead costs, HK$800m; MIS capitalised interest, HK$1bn.

The Tsuen Wan Extension (TSE) contract cost HK$3.6bn while the TSE overhead and land costs amount to HK$500m; TSE capitalised interest, HK$900m.

Finance: Hong Kong Government equity, HK$1.25bn; export credits and contract-related loans, HK$3.8bn; HK dollar bonds and notes, HK$607m; medium-term loans, HK$5.71bn; estimated requirements to 1983 (including loan amortisation) is HK$850m.

Medium-term loan facilities: Manufacturers Hanover Syndicate U.S.$600m; Wardley Ltd Syndicate, three loans totalling HK$1.517bn; Schroders and Chartered Asia Pacific Capital Corp. syndicate HK$600m; Jardine Fleming Syndicate, HK$73m and U.S.$55m; Bank of Tokyo, U.S.$40m; Bank of Japan (Asia) U.S.$40m.

Target

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design-and-construct basis to save time, although the basis of the work was at agreed arrangement drawings prepared by the consultants, Freeman Fox. Some initial conflict between contractors and corporation arose from the great detail with which contractors designs were checked by the consulting engineer. However, Thompson explains that the corporation has maintained a strong presence on all sites "because I wanted to know the problems the day they occurred." Contracts for extension have been let on the basis of engineer design.

Contracting generally did not involve new techniques, although compressed air working was new to Hong Kong. It proved a problem at first because of the fears over its effects: it was widely believed to reduce virility. But true to the traditional adaptability of Hong Kong workers, they were soon working in pressures of up to 36 lbs per square inch.

In addition, Mr. Thompson suggests that the railway has allowed contractors "to participate in the more complicated civil engineering techniques—I will be disappointed if this does not allow some of them the opportunity to participate in further underground railway construction in South-East Asia."

But local practices have played their part. Paul Y made extensive use of hand-dug caissons by which two people —often husband and wife—work as a team, one digging, the other taking the bucket and emptying it. When the holes are completed, usually about 1.5 metres diameter and 25 metres wide, they are filled with concrete.

Blake estimates that Paul Y was responsible for pouring 700,000 tons of concrete—nearly one-third of the total used.

Tight quality control over concrete was exercised by the corporation, and it has been described as "the highest quality ever seen in Hong Kong."

As a result of such strict supervision the corporation argues that it has helped raise construction standards. It also says that despite the 19 fatalities so far, it has contributed to an improvement in safety within the construction industry—a visible sign of which is the increasing use of helmets on building sites throughout Hong Kong.

Danny Nelson

Big opportunities for property developers

WHILST ALTERING subterranean Hong Kong and people's travelling styles, the Mass Transit Railway Corporation has also turned into a property developer. The railway company will be developing over 1.8m sq ft of commercial property above its sites and will build nearly 9,000 flats to accommodate some 45,000 people.

In making its own contribution to the ever-changing Hong Kong skyline, the MTR will be cashing in on its prime sites that will reap fine returns for a company which is more than just a transport concern. It has gone into property development in conjunction with some of the industry's leaders. In effect, by buying expertise the corporation has guaranteed that the projects have been successfully developed. Joint venture agreements have been made to develop three prime sites on the modified initial system and one on the Tsuen Wan extension.

Above the main railway depot was started the first residential and commercial complex. Telford Gardens sits upon a 25-acre podium and is being built in a joint venture with Telford Development Company, which comprises two leading local developers, Hang Lung Development and Hopewell Holdings. The Gardens complex will house some 25,000 people in 4,989 one and two-bedroom flats. The 41-block development varies in height from 11 to 26 storeys.

The MTR will benefit substantially from the development and sale of these flats. It is guaranteed at least 50 per cent of the profits from the sales to the public. The profits are calculated on a sliding scale divided between the two partners: Telford Development at the start deposited HK$120m with the MTR. By this year's end, the first stage will be completed and the entire project is scheduled to open by June 1981 at the latest.

The commercial complex over the railway depot will be another money-spinner for the transport-cum-property development concern. For besides building the commercial complex, the corporation will retain management rights so that the space above the tracks become a future source of income, directly under its own control.

The first commercial showpiece will have 467,500 sq ft of climatically controlled shopping mall, on two levels, which will house shops and facilities ranging from a 46,000 sq ft department store to a sports complex with a competition-size pool, tennis courts and gymnasium. The first stage of this commercial development at Telford Gardens should be completed by early next year.

On the site of one of Hong Kong's most well-known landmarks (the old General Post Office building which reminds one of the era in the colony's history that has been superceded by the age of concrete, steel and glass) will rise another landmark which will become a symbol of the 1980s.

In conjuction with leading local developer Cheung Kong, the MTR is building a 28-storey tower for shops and offices. This very central tower will have an entrance to one of Hong Kong Island's main transit points, Chater Station. Serving large *numbers of people who will pass* through the area daily will be shops and banks on the four floor podium of some 72,000 sq. feet. Above it will rise the tower whose total floor area will be around 364,000 sq. feet.

Popular

The prime central GPO location was so popular with property hungry Hong Kong businessmen and speculators that they snapped up all the space within the first day that it was on offer. Altogether about $HK 592m was earned for the developers who will share the proceeds on an agreed basis which was worked out according to sales values. By next August the World-Wide House, as the new building will be known, should be open.

The MTR has further stretched Hong Kong's skyline to the east. The three nuclei of Central, Wanchai and Causeway Bay have already started to coalesce into one long stretch along the waterfront, opposite Kowloon. The Corporation's twin towers atop the Admiralty station fill in one more gap between the financial/commercial axis of Central and the mainly commercial (but less expensive) area of Wanchai. Once described as being just "an enormous hole which had class," the Admiralty site seems now to acquire at least a floor every week above the second of the island's two stations.

Again Cheung Kong has partnered the MTR in its development, further boosting Chair*man Li Ka Shing's* reputation as the property sector's leader and trend-setter. Above a shopping area podium will be one 24-storey tower with a gross floor area of 267,000 sq ft and a 30-storey block of almost double the space which should exceed 527,000 sq ft.

The developers will retain the shopping space and let it out for rent while the office space was sold off. Like their other joint venture, World-Wide House, Cheong Kong and the corporation will share the profits on a previously agreed basis, depending on sales values. When the development is finished, the MTR will go into the management business and take charge of running the complex.

The very building of the MTR was a calculated gamble and a commitment to the future of Hong Kong. Thoughts about what will happen to the New Territories in 1997 (when the lease expires) had to be faced, as Peking's decision about that fateful date will determine the future prosperity and history of *this tip of southern China.*

Peking's leaders have made it clear that they will not (because it would have little or no validity some two decades hence) make a public decision to leave the colonial status quo unchanged. However, in private, local and foreign businessmen were being reassured that their investments in Hong Kong would not be at risk.

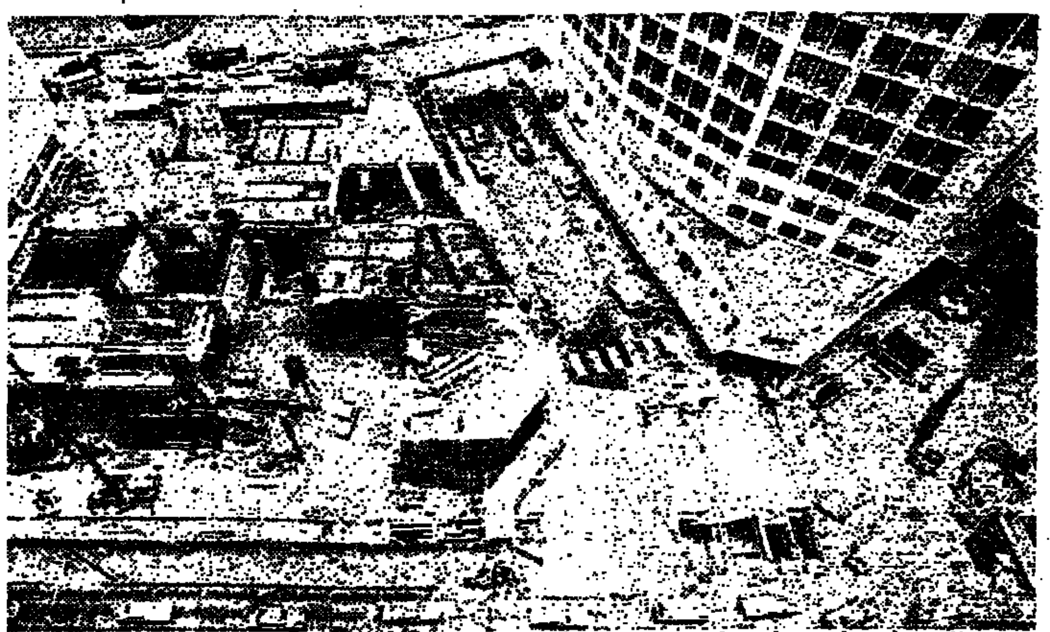
Such assurances cost China nothing, and were accepted for what they were, soothing noises which at least did not bear any bad news. But when a Hong-Kong-based Communist Chinese company entered into a development with the MTR in the New Territories, investors started to take earlier assurances more seriously.

Together with the Sun Company and Kiu Kwong Investment, the MTR is building a *residential and* commercial complex above its Tsuen Wan depot and stabling yards. This bold Hong Kong-China joint venture on 15 acres of land (which Peking could have expected to take for nothing in 1997) was one of the first tangible signs that today's more outward-looking Chinese leaders are prepared to think seriously about accommodating a slice of capitalist activity on Chinese soil for the foreseeable future.

The details are dwarfed by the significance—but they still are impressive. There will be 17 blocks between 28 and 30 storeys high, comprising 4,000 one or two-bedroom flats to accommodate, in all, some 20,000 people. The commercial complex, like the one at Telford Gardens, will have a climatically-controlled shopping mall built by the developers and managed by the corporation. Inside will be a variety of concerns from a Chinese restaurant to a cinema, as well as parking space for about 800 vehicles.

The MTR's decision to have a share in the property side of the railway's development has proved to be a very wise one. In Hong Kong, where property prices seem to defy the laws of gravity, the MTR is sitting on ever-appreciating assets which will help to pay for some of the running costs and hence keep down prices to the public.

Hugh Peyman



The development of prime sites will reap fine returns for the colony's railway corporation. Above: work proceeds at Worldwide House on the junction of Pedder Street North and Chater Road

New designs in rolling stock

THE CORPORATION justifies its comparatively high fare structure by pointing to the relatively good conditions offered to passengers, particularly air-conditioning. But one comfort which will be denied to most travellers is a seat. The aim of the system is to maximise the number of passengers carried, so each car seats only 48—the other 330 passengers will stand.

Packing them in is further helped by the omission of connecting doors. Wide covered vestibules connect all cars, so the trains are long tubes rather than linked carriages. This facilitates a free flow of passengers, an important consideration given the numbers that the system expects to carry.

Provision of five pairs of sliding doors in each car is also designed to contribute to ease and speed of passenger movement. Nevertheless, to avoid crush and confusion, Hong Kong's impatient residents will have to discipline themselves to allow travellers to disembark before those beginning their journey surge onto the train.

The open tube concept is also necessary because there is insufficient room in the tunnels for passengers to leave the train by the side doors in the event of a breakdown. (Getting out and walking to the nearest station will probably occur only if there is an overhead wire failure, for a train which has broken down can be pushed by another.)

Exit will be from either end, where doors can be slid open sideways or lowered onto the track to provide a wide ramp. Stepping on to the track will be safe—thanks to the decision to switch from third rail electrification to overhead collection.

Overhead wiring had earlier been rejected because the design of the rolling stock then envisaged would have necessitated a larger, and thus more expensive tunnel. But when the problems of staff and passengers in tunnels were examined during the detailed design stage so many difficulties were encountered that it was decided to re-check the feasibility of overhead wiring. It was found that as a result of improved techniques, and by dropping both the floor and roof levels of the cars, sufficient space was available.

Facilities

The good-looking aluminium cars—designed to last 30 years—are serviceable rather than comfortable. The stainless steel seats, for example, would be unacceptable in most European or North American systems, although they are well-contoured.

The floors are made of a hard-wearing, fire-resistant material which has been proved in service on a Royal Navy mine-hunter. Fire has been a great concern of the corporation, which has gone to considerable lengths to reduce the risks. There is very little that can burn in the trains, apart from the wiring, so the fact that the floor covering does not give off toxic fumes, even in intense heat, is an important requirement.

One set of cars can serve as a rescue train in the cross harbour tunnel, which is the longest section between stations. The rescue train will run in an adjacent tunnel and there are cross-overs between the two every 25 metres. As on the rest of the system, even if there is a complete loss of traction, passengers will be able to walk along the track.

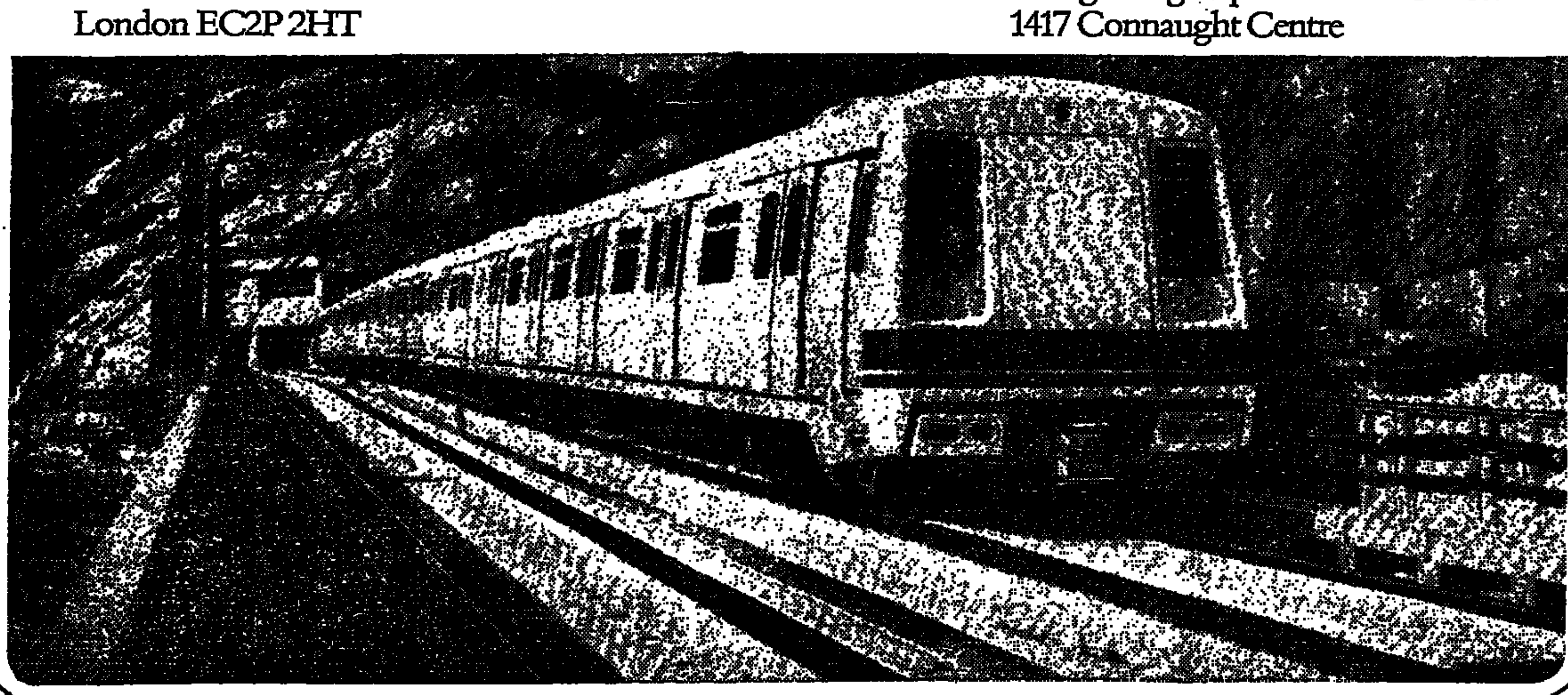
Scheduled running speed of the trains is 33 kilometres an hour, including 30 second stops at stations. Maximum speed is 80 kph.

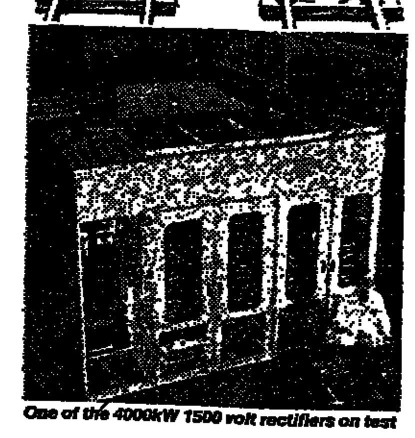
The main rolling stock contract was a coup for Metro-Cammell, a company which only a decade ago was "on the ropes." It has been supplying the 210 cars for the initial system at a rate of two a week since May 1978, and has received an order for another 150 cars for the Tsuen Wan extension.

Initially, trains will run with four cars, but this will be increased to six, and then eight—at which point trains will be 590 feet long. To handle trains of this size, and their passengers, stations have to be exceptionally large. Chater station and Admiralty will be two of the biggest stations in the world, capable of handling 390,000 and 300,000 passengers a day respectively.

Even delivery of the cars caused headaches. Equipment to carry them through Hong Kong's streets had to be specially designed; drivers from the colonoy were sent to England for training. The shippers, OCL, were involved in the task—and Mr. Alan Short, the company's project manager, described it as "a significant breakthrough for shipping companies to live with a contract from the drawing board."

Danny Nelson





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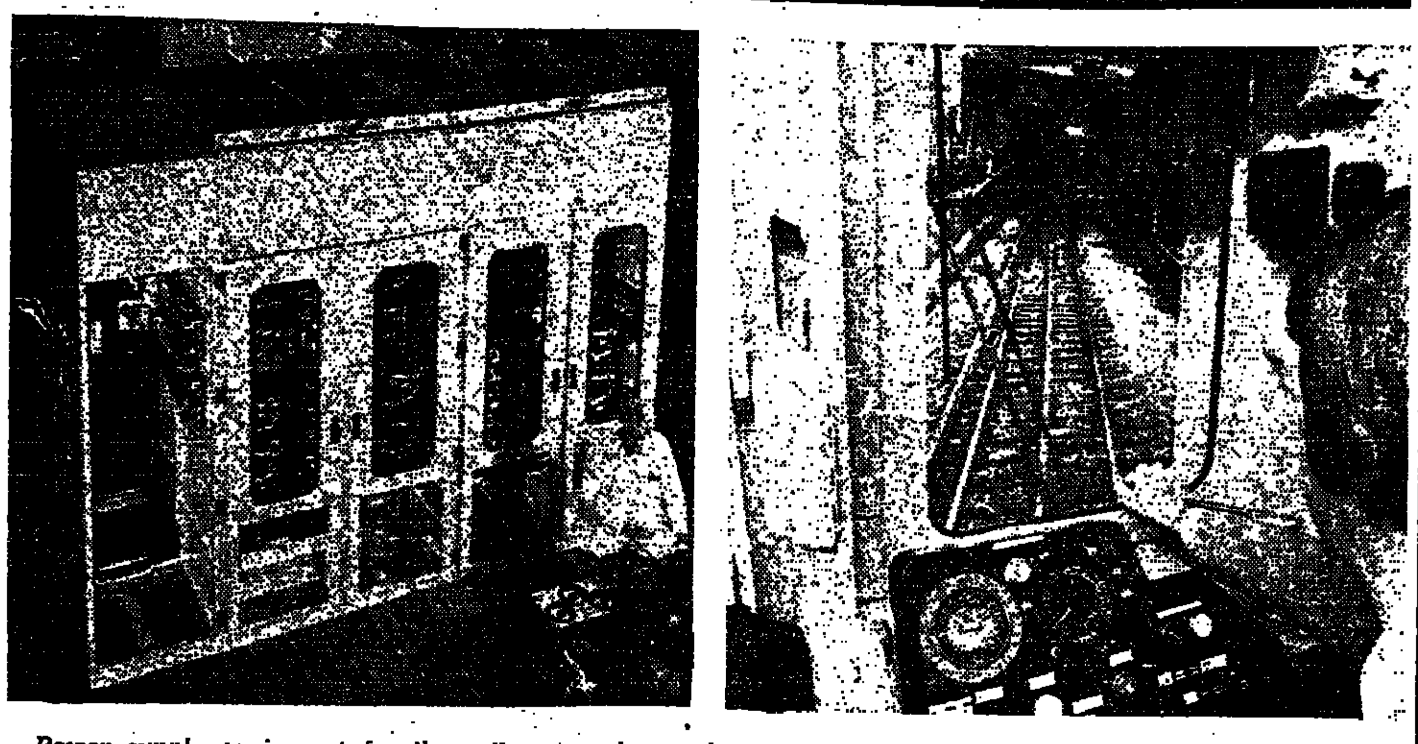


Power supply equipment for the rail system is supplied by GEC Rectifiers, of Stafford. Left: a 4,000kW, 1,500-volt rectifier on test. Right: a tube simulator for driving training, produced by Redifon, of Crawley, Sussex

Train movements fully automated

"THIS IS your captain speaking," the old joke runs. "We welcome you on board this flight, which is fully automatic. The aircraft is set on automatic pilot and even this announcement is a recording . . . ording . . . ording . . . ording."

There is a touch of the cynicism underlying such humour in the reactions to the corporation's claim that "the Automatic Train Protection System ensures an absolute fail-safe control of all train movements to prevent train collisions."

While nothing is "absolutely fail-safe," however, the system appears to have gone about as far as it can in avoiding crashes.

The line is divided into sections on which trains can be constantly monitored. Train speeds, headways, braking and acceleration can be programmed and controlled by feeding signals into these sections.

The concept is that if a train enters a section of track with a speed higher than the maximum permitted, braking will be applied to reduce movement to the programmed speed—failing that, emergency brakes will stop the train. The driver can take over, but only at a maximum of 15 kph. If this speed is exceeded, emergency braking will again be applied.

Ironically, the original aim was to retain manual control over all railway equipment. This was because of the rather unhappy experience of computers and microprocessors in other undergrounds and because it was felt that staff would best learn to operate the railway and understand its characteristics if they were responsible for identifying trouble and sorting it out.

Automation was accepted because, in the words of operations manager, Mr. Alan Cotton, "sometimes the twin goals of simplicity and quick reaction to incidents are incompatible."

Thus, although there is automation in the train control system (as in the routing of trains) regulation is manual. Movement of trains between stations is automatic, but drivers will open and close the doors.

Those with little confidence in modern technology will also be reassured by the fact that many of the operational systems have been in use for years on the London Underground's Victoria Line.

Central control staff in the Kowloon Bay Depot have an overall view of operations on mimic diagrams, through computer print-outs, television displays and by radio and telephone links.

While the corporation says that motoring, coasting and braking "are carefully controlled to achieve smooth performance in the most economic way," there is a perceptible hiccough when deceleration begins on the approach to a station. This may prove slightly inconvenient for passengers standing near the doors where there are no bars on which to hold. But as a fellow traveller pointed out, for much of the time there will be so many passengers that it will be impossible to fall over.

Even more fully automatic, and of crucial importance, is the HK$57m fare collection system. Manufactured by Cubic Western Data, the equipment consists of more than 1,000 items.

Key to the system is a plastic, credit-card-sized ticket, which becomes invalid 135 minutes after its purchase.

The code carried by a magnetic coating on the back of the ticket contains the time, date and place of issue and value. The 450 issuing machines (114 of them on Chater Station) will dispense tickets of a set value—displays detailing the cost of travel between stations direct passengers to the correct machine, which does not give change.

Concern has been expressed about the relative scarcity of change machines, but Hong Kong commuters are used to correct-money rides on buses and trams.

Nevertheless, the need to ascertain the fare and obtain change is likely to slow down the passenger flow in the initial stages.

Jams

"There will be chaos at first," admitted a corporation official. And even Mr. Walter Zable, general manager of Cubic Far East Data, said a lot of public education would be required to familiarise passengers with the system. He was speaking after an open day at Kowloon Bay when two entry gates jammed within a couple of hours.

An advertising campaign is underway, ranging from television spots to the distribution of 2m leaflets, and a bevy of "courtesy girls" will be on hand for the first six months to point people in the right direction and help them use the machines.

Tickets must be kept dry and clean and not be bent or scratched, or they will not work effectively. They have to be pushed into an entry gate the correct way up and in the direction of an arrow on their surface, and must be retained. This latter point is likely to cause difficulties: it is not unusual for London Transport passengers to leave tickets in turnstiles on the assumption that the ticket's function is complete once the gate opens.

The passenger repeats the process at his destination, at which point the machine retains the ticket. Excess fare officers will be available for passengers who travel further than their ticket allows.

A mini-computer linked to all automatic fare control equipment gives a visual and audible warning if equipment is tampered with (or fails to operate correctly). Warnings are also issued when machines need emptying or filling.

Hong Kong will test the system to the limits because of the volume of passengers using the machines. Much will depend on effective supervision and speedy maintenance. A mobile corporation team will be on call to deal with faults and their efficiency will be crucial.

Danny Nelson

A new police division has been set up to patrol the busy subways of the Mass Transit Railway. The division works closely with control rooms at the stations, each of which is equipped with closed-circuit television and has a direct link with train operators. Above: officers check a computer in the control room of Kowloon Bay Station

Air-cooling system on a vast scale

AN ENTERPRISING Hong Kong film-maker is even now probably working on the script of a disaster movie set in the colonoy's underground — train collisions in the bowels of the earth, a station fire sparking off a stampede of 35,000 passengers, the sea cascading into the harbour tunnel. And he will surely include commuters stewing to death in the oppressive heat of a stranded train.

Because of the thousands of people expected to be using the system and Hong Kong's summertime tropical temperatures and high humidity, the air-cooling system has engaged considerable attention since the project was first mooted. It also occasioned one of the railway's biggest design switches.

Many of the countries considering constructing their own underground railyway are in the tropics, and have shown particular interest in this aspect of, what is claimed to be, the first fully air-conditioned underground railway system in the world.

The original intention was to utilise mechanical air movement with no additional cooling in stations, tunnels and trains. The aim was to reduce underground use of energy: cooling equipment itself gives off heat, a problem particularly noticeable with train air-conditioning from which heat output increases tunnel temperatures.

But because of the need to keep trains cool on the railway's elevated sections, it was subsequently decided to air-condition the trains. Each car now contains two self-contained packaged air-conditioning units in the roof, designed to keep the temperature at 25 degrees centigrade, and humidity at 70 per cent RH.

In the words of Mr. Alan Cotton, the corporation's operations director: "As detailed design progressed, an area of uncertainty was discovered in the ability of the system to prevent excessive heat build-up in the event of two fully-laden trains stopped on one track in one tunnel section. This could have resulted in the air-conditioning units cutting out. It could also have made conditions very unpleasant should staff be needed in the tunnel for emergency purposes in such circumstances."

Experiment

Tests were made, including a ful-scale experiment in a London transport tunnel, but the corporation decided that there was insufficient time to prove the system. Even as construction continued, it was redesigned, retaining existing ventilation shafts but abandoning the jet curtains.

The revised system uses higher capacity cooling plant in the stations (about 1,000 tons of equipment in each) and circulates the cooled air in the tunnels by the piston action of the trains. When ambient temperature is sufficiently high, the ventilation shafts are closed so that the cooled air remains in the system.

This essentially simple concept cannot cope with a train stalled in a tunnel, so additional high-power booster fans have been installed at the base of vent shafts and will be switched on automatically if a train stops for more than 15 seconds.

The reduction in tunnel temperature allows a reduction in the capacity of the train air-conditioning, thus reducing total heat in the tunnels—a major factor in the design and operation of any underground railway. This has been further helped by sloping track downwards from stations to assist acceleration and sloping it upwards on station approaches to help braking.

D.N.

Strict security controls

CRIME UNDERGROUND mirrors crime on the surface, believes Divisional Superintendent Mike Harris, the policeman who had the 137-strong security force charged with keeping law and order in the Mass Transit System. Therefore, he expects stations which are near busy housing estates with social problems to pose the biggest problems.

It is an important job, not only because passengers on some undergrounds — notably, New York — are fearful of travelling at certain times, but also because crime, and what is popularly perceived as the Government's failure to tackle it effectively, is a major concern of Hong Kong Chinese.

A feeling that crime prevention on the Hong Kong underground was not being taken seriously would result in a serious loss of public confidence in the system. For that reason the MTR "will be over-policed, at least, initially," according to a corporation spokesman.

The unit's strength will not be increased when the system expands from the first nine stations to 15, but the number of police is the same as that keeping an eye on the London Underground's many stations.

The security force is a unit of the Royal Hong Kong police. As on the surface, the police will maintain radio contact with each other and with the police control room, though minor difficulties have been experienced during the testing of the radio network.

"Good communications underground is the big problem in every place I've visited," adds Mr. Harris, who has visited underground systems in London, Montreal, Chicago, New York and Tokyo.

Another factor of crucial importance is a good working relationship between police and railway staff. The police control room, manned round the clock, is next to the corporation's own operations centre, with which it will maintain close liaison. The unit will have access to the corporation staff's closed-circuit television, though Mr. Harris points out that the TV was not designed for with security in mind.

Railway staff will be expected to enforce bylaws, such as those forbidding smoking (which carries a HK$500 fine); also banned is eating and the still-prevalent spitting habit, although the police unit will intervene in the inevitable confrontations between mass transit staff and the public.

Prevention

The police—uniformed and in plain clothes—will tackle the main offenders, which in the busy period are expected to be pickpocketing and minor physical and sexual assaults. Offpeak crime is likely to be mugging, robbery and serious assaults. Mr. Harris defines the corporation's responsibility as passenger flow, and the job of the police as crowd-control. He sees the unit as preventative—"if anything does happen, we'll try and nip it in the bud," he says enunciating one of the unit's tenets.

This also aplies to graffiti, the absence of which—even on overcrowded, poorly-built housing estates—is a source of amazement to visiting sociologists. Most graffiti on buses is by European teenagers or Chinese attending European schools. The policy on the underground will be to erase it as soon as it is spotted.

The unit was established only a few months ago, but the corporation has tried to build crime prevention into the system right from the design stage. The railway will be well-lit, there are comparatively few areas isolated from the main passenger flows, and no lavatories (an inconvenience which, many feel, is the result of unnecessary penny-pinching). The total absence of seats in the stations and in the concourses will discourage loitering.

Passengers can walk from one carriage to another, which reduces the likelihood of being trapped alone with a criminal—although with the passenger densities envisaged, the likelihood of two people finding themselves alone in a car is remote, even in the half-hour before shutdown at 1 o'clock in the morning. "The system basically can police itself if the optimum number of passengers use it," comments Mr. Harris.

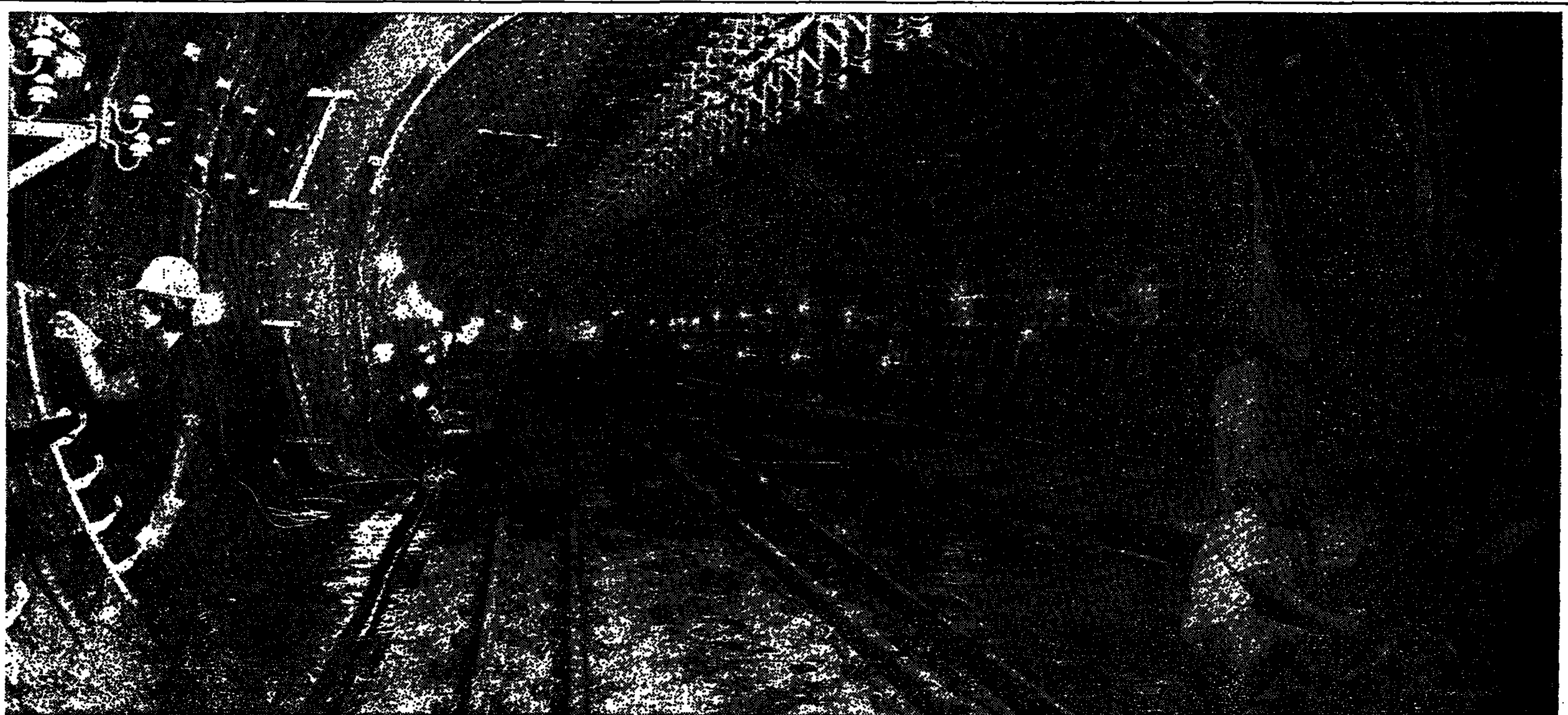
He is not completely happy with the security aspects of the system's design. He considers, for example, that some stations have too many pillars. He also admits to being "a little worried" about hawkers near the station entrances. Triads marked out pitches for hawkers several weeks ago.

The unit's boundary is the gates of each station entrance, but there will be give-and-take over jurisdiction. Surface police will help patrol pre-paying areas on the stations, and will be available anywhere in the system if their help is required.

A major cause of relief is that the system is opening in stages. "This will give us time to assess the problems and our procedures," says Mr. Harris, who has been commuting to work on the trial train services since the summer. "After all, this is a complete new environment for Hong Kong, and we just don't know how people will react."

D.N.

Passengers inserting tickets into entry gates to board trains on the Mass Transit Railway



A 10-metre crossover, looking north from Argyle Station.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Gilt Ins. Tst.	107.9	113.6	+0.3	3.13
Abbey Capital	38.1	40.8	-0.1	4.98
Abbey Income	44.5	47.6	.....	7.69
Abbey Inv. Tst. Fd.	38.1	40.7	+0.2	5.64
Abbey Gen. Tst.	48.6	51.9	.....	5.21
Equitas Prog. Tst.	72.5	76.5	+0.1	4.82

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	97.0	102.1	.....	12.00

Allied Hambro Group (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	74.1	79.3	+0.2	6.05
Brit. Inds. Fund	71.6	76.6	+0.1	5.30
Grth. & Inc.	41.9	44.8	.....	5.36
Elect. & Ind. Dev.	38.9	41.6	+0.1	5.05
Allied Capital	75.8	80.3xd	-2.3	4.93
Hambro Fund	121.3	129.8	+0.2	5.66
Hambro Acc. Fd.	143.1	153.1	+0.1	4.94
Income Funds				
High Yield Fd.	72.3	77.4xd	.....	8.84
High Income	70.0	74.9xd	.....	7.48
A. H. Eq. Inc.	41.6	44.5	+0.1	7.62
International Funds				
International	27.0	28.9	.....	2.78
Pacific Fund	39.1	42.5	-0.1	2.09
Secs. Of America	59.9	64.1	+0.1	1.97
Specialist Funds				
Smaller Co.'s Fd.	49.4	52.9	+0.3	3.97
2nd Smlr. Co's Fd.	59.3	63.5xd	+0.1	4.09
Recovery Sits.	115.1	123.2	+0.3	5.45
Met. Min. & C'dty.	50.5	54.0	+0.5	4.81
Overseas Earnings	58.9	63.0	.....	5.24
Exempt Funds				
Far East Exempt	68.3	50.2	-0.3	2.80
Smaller Co. Exempt	74.2	77.9xd	-1.4	4.71
U.S.A. Exempt	104.7	108.9xd	+0.5	3.21

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	50.8	54.3	+0.3	4.50
Do. Accum.	68.1	72.8	+0.5	4.50

Funds In Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Sept. 13	111.5	111.8	.....	4.83
Gross Inc. Sept. 13	78.4	79.6	.....	9.80
High Yield Sept. 13	87.1	89.6xd	.....	9.49

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	109.4	116.3	+4.2	3.90
Do. Acc.	135.8	144.4	+9.1	3.90
G.T. Inc. Fd. Un.	170.3	181.1	+1.8	8.90
G.T. U.S. & Gen.	143.0	152.1	+1.0	2.50
G.T. Japan & Gen.	81.6	86.3xd	-0.3	2.70
♦Gt. Pens. Ex. Fd.	227.7	239.0	.....	5.20
G.T. Int'l. Fund	158.8	168.9	-0.2	2.60
G.T. Four Yds. Fd.	54.2	57.6	.....	7.20
G.T. Far East & Gen.	48.4	52.0	+2.0	2.90

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. (0277) 227300

G. & A.	37.1	39.6	+0.1	4.87

Gartmore Fund Managers♥ (a)(g)
2 St. Mary Axe, EC3A 8BP 01-623 6114
Dealing only: 01-623 5766/5806

American Tst.	27.5	29.5	+0.1	1.92
British Tst. (Acc.)	66.2	71.2	+0.1	3.80
Commodity Share	33.0	35.5	+0.3	3.26
Extra Income Tst.	24.2	26.0	.....	9.27
Far East Trust	33.5	36.1xd	.....	2.97
High Income Tst.	58.7	63.1	+0.1	9.45
Income Fund	77.6	83.5	.....	7.01
Ins. Agencies	£34.82	35.81	+0.05	4.33
Intl. Exempt Fd.	92.5	103.0	-3.2	7.23
Intl. Tst. (Acc.)	33.2	35.7	.....	1.50

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)
3 Frederick's Pl., Old Jewry, EC2 01-588 4111

INSURANCE & PROPERTY FUNDS

OFFSHORE & O'SEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund		$US8.96	.....	—

Net asset value September 24.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Gilt Edg. Fd.	£12.07	12.09xd	.....	11.92

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077

Cap. Tst. (Jersey)	124.0	128.0	.....	7.81

Next dealing October 1.

Gov't Secs. Tst.	88.5	92.0xd	.....	13.86

Next dealing date October 1.

East & Intl. Tst. (CI)	106.0	113.0	.....	3.18

Next dealing October 4.

Arbuthnot Stg. Fd.	100.3	100.4	.....	—

Next dealing date October 3.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127 Kent St., Sydney

US$1 Shares		$US1.48	.....	—

Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	$US109.39	109.95	.....	8.41

Prices at Sept. 13. Next sub. day Sept. 19.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund	61.51	63.42	+0.53	8.32

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74606

Barb. Int. Fund	90.0	95.0	.....	5.00

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Overseas Income	46.0	48.4	+0.4	11.60

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070

Fonselex	Fr1,359	[illegible]	.....	4.40
Bondselex	[illegible]	[illegible]	.....	5.40
Central Assets	£151.72	151.77	+0.02	—

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	9.40	9.46	.....	11.75
Gilt Trust (I.o.M.)	104.5	107.2	.....	11.75
Gilt Fnd. Guernsey	9.63	9.68	.....	11.75
Intl. Govt. Secs. Tst.				
First Sterling	£19.29	19.40	.....	—
First Intl.	[illegible]	227.31	.....	—

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000

Eurinvest		LF1,167	-3	4.11
Guernsey Inc.	69.6	[illegible]	.....	4.79
Do. Accum.	88.5	93.9	.....	4.79
KB Far East Fd.		$US14.25	.....	[illegible]
KB Gilt Fund	£10.63	10.99	.....	11.38
KB Int Bd Fd. Inc.		$US103.29	.....	9.20
KB Int Bd. Fd. Acc.		$US106.84	.....	
KB Intl. Fund		$US13.46	+0.19	2.06
KB Japan Fund		$US32.27	.....	0.92
K.B. Sterl. Asset Fd.	£10.03	10.05	.....	—
K.B. U.S. Gwth. Fd.		$US15.15	.....	1.44
Signet Bermuda		$US5.75	.....	1.24

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561

Lloyds Tst. O'seas	54.0	56.7	.....	2.25

Next dealing October 15.

Lloyds Trust Gilt	£10.17	10.19	.....	11.53

Next dealing date October 5.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)

Lloyds Int. Growth	SF359.0	384.50	.....	1.10
Lloyds Int. Income	SF290.0	301.0	.....	5.50

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

1A	10	Sth. Rhod. 2½pc '65-70	87	3'66	—	—
15J	15J	Do. 6pc '78-81	126	12'65	—	—

LOANS

Public Board and Ind.

1J	1.D	Agric. Mt. 5pc '59-89	65¼	1.6	7.74	11.00
30J	31D	Alcan 10½pc '89-94	85	21.5	12.41	12.80
1M	1S	Met. Wtr. 3pc 'B'	29	1.8	10.42	12.26
30J	31D	U.S.M.C. 9pc 1982	120	21.5	7.50	—
30J	31D	Do. without Warrants	91½	21.5	10.28	12.90

Financial

30J	30J	FFI 13pc 1981	99¾	2.7	13.03	12.74
15M	15N	Do. 14pc '79	101	9.4	14.24	—
20J	20D	Do. 14pc '83	102¾	21.5	13.63	13.10
31 Mr	30 S	ICFC 5½pc Deb. '80-82	83½xd	13.8	6.66	12.45
31My	30N	Do. 6¼pcDb. '81-84	80½	23.4	8.00	12.10
11J	11J	Do. 10½pc Uns.Ln. '86	94	4.6	11.48	12.50
11J	11J	Do. 11pc Uns.Ln. '88	94½	4.6	11.98	12.40
11J	11J	Do. 11¾pc Uns.Ln. '90	97	4.6	12.42	12.70
30J	31D	Do. 7¼pcADeb. '89-92	66½	4.6	11.35	13.10
31Mr	30S	Do. 7¼pcA Db. '91-94	63½xd	13.8	11.41	13.00
31Mr30S		Do. 9pc'A' '91-94	74½xd	13.8	12.08	12.90
28F	31A	Do.8⅞pcLn. '92-97	72	16.7	12.59	13.10
		Do. 12½pc. Uns. Ln. 1992	97½	13.8	12.82	12.90

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 15¼% (based on US$2.1957 per £)

Conversion factor 0.6874 (0.6873)

CANADIANS

[illegible]

S.E. List Premium 15¼% (based on $2.5439 per £)

BANKS AND HIRE PURCHASE

[illegible]

		Ansbacher (H.) 5p.	12½	876	—	—	—	—
Dec.	June	Arbuthnot L. £1	158	2.7	10.42	—	9.3	—
July	Jan	Bk. Ireland £1	335	21.5	Q25.0	—	6.8	—
Mar.	Sept.	Do. 10pc Conv.	£152	28.8	Q10%	—	f6.9	—
May	Nov.	Bk. Leumi I£1.	9	8.5	Q16%	—	3.6	—
Aug.	Feb.	Bk.Leumi (UK)£1.	130	30.7	N8.57	—	9.4	—
Jan.	July	Bk. N.S.W. $A1	184	18.6	hQ13.3c	2.5	3.7	8.0
Nov.	May	Bank Scotland £1	276xd	24.9	†12.25	5.0	6.3	4.2
A. J. O.	Ja	Bankers N.Y.$10	£24⅛	26.3	Q$3.30	—	6.2	—
Apr.	Oct.	Barclays £1	442	13.8	§16.5	6.2	5.3	3.7
Jan.	July	Brown Shipley £1	242	18.6	10.81	—	6.4	—
Jan.	July	Cater Ryder £1.	343	21.5	18.88	—	7.9	—
May	Nov.	Clive Dis'nt 20p	100	23.4	5.33	—	7.6	—
Feb.	Sept.	Com'l Aus. ($A1)	164	12.3	Q18c	ф	5.7	ф
May		Com'zbk DM 10	£105⅛	577	Q26.6%	—	6.4	—
March		C'hgn. Hbk.Kr100	£105⅛	13.3	Q12%	—	10.4	—
July	Oct.	Corinthian 10p	34xd	24.9	†1.05	5.9	4.4	3.9
May		Cred. France F75	£19	577	Q9.87%	—	3.4	—
Jan.	Apr.	Dawes (G. R.)	11	18.10	—	—	—	—
May	Nov.	Deutsche Bank DM50	£71¼	17.5	Q28.12%	—	5.2	—
—	—	F. C. Finance	67	23.4	2.2	4.9	4.8	6.1
—	—	First Nat. 10p	7	974	—	—	—	0.5
—	—	Do. Wrrts. 75-83	2¾	—	—	—	—	—
June	Dec.	Gerrard Natnl.	258	8.5	9.12	—	5.0	—
May	Nov.	Gibbs (A.)	47xd	24.9	2.2	—	6.7	—
Mar.	Aug.	Gillett Bros. £1.	218	30.7	†16.95	—	11.1	—

[illegible]

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

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CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

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ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

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INDUSTRIALS (Miscel.)

[illegible]

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AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$23¼	21	Q200c	ф	10.2
Aug.	Feb.	East Drie R1	$18⅝	27	†Q115c	1.6	7.7
Aug.	Feb.	East Rand Pro. R1	$12	27	†Q10c	—	1.0
June	Dec.	F.S. Geduld 50c	$37⅞	30.10	†Q315c	2.4	10.2
June	Dec.	Pres. Brand 50c	$26¼	30.10	†Q150c	3.2	6.9
May	Nov.	St. Helena R1	$26⅝	26.3	Q300c	ф	14.1
Aug.	Feb.	Stilfontein 50c	960c	21	†Q66c	1.7	8.3
Aug.	Feb.	Vaal Reefs 50c	$42½	29.1	†Q280c	2.7	8.3
Feb.	Aug.	West Drie R1	$61	27	Q615c	1.3	0.4
June	Dec.	West Hldgs. 50c	$48	25	†Q415c	1.4	10.5
Feb.	Aug.	Western Deep R2	$24½	29.1	†Q...	2.1	0.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling or EEC currencies are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ф Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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REGIONAL MARKETS

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FINANCIAL TIMES

Monday October 1 1979

NEARLY 400,000 WELCOME THE POPE TO KNOCK

This is 'the goal of my journey'

NEARLY 400,000 pilgrims poured into this little village yesterday to welcome Pope John Paul II at what the Pope himself called "the goal of my journey to Ireland." The scenes at the country's national Marian shrine have marked the climax of an extraordinary and often highly emotional pastoral visit.

The Pope was given a huge reception when he landed from his helicopter and each time he spoke to the crowd or to the 2,100 invalids gathered inside the modern basilica of Knock. His pilgrimage to Knock was the formal reason for coming to Ireland in the first place.

Overall, however, the most significant aspect of the visit has been his condemnation of violence and the call for peace and the respect of human rights in Ireland, which has been a constant theme throughout the visit.

While it is clearly too early to assess the possible longer term impact of the Pope's initiative, there were overwhelmingly favourable reactions in Ireland yesterday to his appeal in Dublin for peace and justice.

A constant flow of pilgrims, many with sleeping bags, tents or caravans, has poured into Knock, set in the mystic countryside of Mayo. Security precautions were intense.

Some call Knock the "Lourdes of Ireland," although doubts have often been expressed about the authenticity of the claimed apparition of the Virgin Mary, here, in August, 1879. But although, as at Lourdes, blessed water is available to pilgrims, it comes out of ordinary pipes from a standard reservoir.

Before arriving here, at Galway racecourse, the Pope appealed to an enormous crowd of Irish youth not to become caught up in violence.

At Knock; at the end of his homily devoted to Mary, amid cheering, flag-waving crowds, he reaffirmed his unqualified condemnation of violence calling upon Mary to "protect especially the youth of Ireland from being overcome by hostility and hatred," and that "murder is murder no matter what the motive or end."

At his speech before 1m people in Dublin on Saturday, the Pope addressed himself in general terms to Catholics, Protestants, to the terrorists and to politicians.

To the terrorists he said: "On my knees I beg you turn away from the paths of violence and return to the ways of peace . . . Further violence in Ireland will only drag down to ruin the land you claim to love and the values you claim to cherish."

In a passage apparently addressed to sympathisers of extremist groups, he prayed that the "moral sense and Christian conviction of Irish men and women" would never become blunted by what he termed the "lie of violence."

At the same time, the Pope ephasised the need to ensure human rights and justice in a remark which seemingly applied in particular to Irish Catholics in the north. "Each human community-ethnic, historical, cultural or religous—has rights which must be respected. Peace is threatened every time these rights are violated."

He also reiterated the need to advance the spirit of ecumenism and the policies of the second Vatican Council. "May no Irish Protestant think that the Pope is an enemy, a danger or a threat. My desire is that instead Protestants would see me as a friend and a brother in Christ."

In what has generally been taken as a reference directed to the British and Irish Governments and to the political parties in Northern Ireland, the Pope also insisted on the need for a new "peaceful, political" initiative for Northern Ireland.

Both sides in Ulster welcome peace plea

BY OUR BELFAST CORRESPONDENT

THE POPE'S passionate plea for an end to violence was yesterday being accepted on both sides of the religious divide in Ulster as a sincere effort to bring about a change in attitudes.

A report from Dublin that the Provisional IRA might respond with a cease-fire was, however, regarded by the Republican movement in the province as over-optimistic. Some indication of the IRA's reaction to the appeal may emerge this week from its political wing, the Provisional Sinn Fein. It is expected to call a news conference in Dublin when the Papal visit is over.

Mr. Gerry Fitt, leader of the main Roman Catholic group, the Social Democratic and Labour Party said the reaction of those who heard the Pope at Drogheda must indicate to the men of violence that they had no decisive support from any section of the Irish people.

But the Rev. Ian Paisley, head of the Democratic Unionist Party, claimed that the IRA would take "succour and comfort" from the Pope's speech.

He said: "The Pope talked about injustice and social discrimination that had to be put right but said that this should take priority over law and order. His words would only give fuel to the IRA and their violence."

Mr. Paisley's sentiments were not shared by other Unionists, including Mr. Harold McCusker, Official Unionist, who said: "The speech was a genuine and serious attempt to influence the course of events in the province, although I do not believe it will influence hard core terrorists."

Another Unionist MP, Mr. Jim Kilfedder, said: "Any appeal from the Pope to stop terrorism is worthwhile. I hope he has got across that if Northern Ireland and the Republic of Ireland are to have any future it will not be decided by terrorists but by the ordinary people."

The Northern Ireland Office said the Pope's condemnation of violence would be widely and genuinely welcomed by the vast majority of people in Ulster.

'Stability' optimism on eve of IMF meeting

BY JUREK MARTIN AND PETER RIDDELL IN BELGRAVE

THE LEADING industrial countries believe that the distribution of current account surpluses and deficits between them should be more even during the next 18 months than for the past three years.

They feel that this should contribute to greater stability in foreign exchange markets.

Concern about the dollar has been a central theme of a series of meetings of senior financial officials and bankers here during the weekend on the eve of the joint annual meetings of the International Monetary Fund and the World Bank, which formally opens tomorrow.

Officials at Working Party Three of the Organisation for Economic Co-operation and Development, the Paris-based group of 24 industrial countries, were in broad agreement about the likely development of their economies until the end of 1980.

The overall rate of economic growth is expected to slacken considerably, but the recession should be much shallower than in 1974-75.

New forecasts due to be revealed this week by the OECD secretariat project an increase in total output of roughly two per cent in real terms in 1980, compared with the rise of three per cent this year.

Output in the U.S. is expected to grow by only one per cent. But the U.S. is still projected to have a small deficit on the current account of its balance of payments for at least part of next year after an estimated deficit of \$3bn to \$4bn this year. This is in contrast to the views of the U.S. authorities who have repeatedly talked about a current surplus next year.

Other IMF reports, Page 2; Editorial comment and Men and Matters, Page 14; Lombard, Page 10

The OECD forecasts, which are similar to those of the Fund itself, assume that policy in member countries will be neither too strongly anti-inflationary nor too relaxed.

There is little doubt that the meeting of the Finance Ministers of the Interim Committee of the Fund will today authorise detailed studies leading to the creation within the next two years of the so-called substitution account, into which countries could deposit excess dollars. In return, they would receive an interest-bearing claim denominated in special drawing rights, the fund's own currency.

But no exact consensus has emerged on the size of this account, its rate of return or the nature of any exchange rate risk. There is a suggestion of divisions inside the U.S. Government, which only last month formally lifted its objections to the idea, on the size of the account.

At the same time, the reservations of the developing nations were clearly expressed in the communique issued yesterday by the Group of 77. This emphasised that the substitution account should only form one part of a wider programme of international monetary reform, to alleviate the increasingly acute financial problems of these countries.

The Group of 77 called on developed countries to compensate for any deflationary effects that could arise in the present circumstances of higher oil prices in order to sustain growth in trade and economic activity.

Some consolation for the developing world came late yesterday when it was announced that the IMF's interim committee had agreed to instruct its board of directors to ease some of the financial terms associated with borrowing from the Fund.

January oil price rises resisted by OPEC president

BY RAY DAFTER, ENERGY EDITOR

THE PRESIDENT of the Organisation of Petroleum Exporting Countries, Dr. Mana al-Otaiba, plans to resist pressure for a new round of oil price increases in January.

Dr. Otaiba is Oil Minister of the United Arab Emirates, which has been a pricing "dove" within OPEC, aligning itself with the leading moderate producer, Saudi Arabia.

He said that not only would the UAE "oppose requests for a new oil price increase," it was also against any immediate move to replace the dollar as the basic currency for oil payments.

Despite the present devaluation of the American currency we are not yet considering to substitute it with another currency," he said. "No other currencyl carries the weight which the dollar still has in international trade."

Dr. Otaiba's remarks, made at the weekend after a meeting with Italian Prime Minister Francesco Cossiga, will be welcomed by countries within the International Energy Agency which today launch International Energy Conservation Month.

The International Monetary Fund recently reported that the big price increases this year had affected inflation and economic growth much more than had been expected.

Caracas talks

However, with some OPEC members planning to restrict output to keep supply and demand in tight supply, there is likely to be considerable pressure for some form of price increase when the exporters' oil ministers meet in Caracas, Venezuela, in mid-December.

There is some concern within the oil industry that the pricing structure could be made even more complex as a result of some OPEC members introducing their own premiums on top of the fixed scheduled prices.

Iraq has been reported as considering charging several dollars a barrel extra as a "bonus payment" for secure supplies. Apparently Iraq has been asking up to \$7 to \$8 a barrel more for new one-year contracts and incremental volumes to existing customers.

It is not clear whether the request assumes that the basic price of oil will rise in January as a result of the Caracas meeting.

Callaghan fails to woo AUEW

By Christian Tyler, Labour Editor

MR. CALLAGHAN'S Right-wing allies in the Amalgamated Union of Engineering workers failed yesterday to smooth his path for tomorrow's big debate on constitutional reform of the Labour Party.

The possibly crucial vote of the union will favour control of the manifesto passing to the party's National Executive and will approve mandatory reselection of MPs. But it will be against changes in the way the party leader is elected.

Left-wingers proved they had a majority on the 34-man delegation of the engineering section of the engineering union, which has 876,000 votes to wield.

In the delegation meeting yesterday the Left won 19—15 on th manifesto, 18—16 on the reselection. But the delegation tied 17—17 on the Labour Party leadership.

Meanwhile, the Transport and General Workers Union ensured a cliffhanger before the debate by deferring its decisions until today. The delegation wanted to hear the latest position of the national executive of the party before deciding.

The union, with 1.25m votes at the conference, will almost certainly vote for mandatory reselection and is sympathetic to the Left on the other two issues as well.

The construction union UCATT threw its 200,000 votes against any change in the status quo until the proposed inquiry is held; and the miners may put their 250,000 votes in favour of reselection but against other instant reforms when they vote today.

ITT fears losses over \$11m

BY JOHN LLOYD

THE WORLD'S LARGEST international telecommunications company, International Telephone and Telegraph (ITT) expects to make a further loss in its consumer products division in the current year, larger than the \$11m loss sustained last financial year.

It is also likely to announce further closures among its many European plants in the near future. Last week the company announced that it would close two of its three UK colour television plants, at Kearsley and Hastings.

In the past year it has closed four other European plants, in Austria, France, Germany and Italy. Three had been making colour television sets.

The losses for the current year will be inflated by the redundancy and other payments associated with the closures. Such payments are likely to continue to affect results for the next few years.

Mr. Colin Barker, general manager of the European consumer products division, said: "This sector won't look good for another five years. Then the changes we're making will take effect."

ITT is to concentrate on the production of television sets throughout Europe as far as possible. Three important sub-assemblies, standard to all sets, will be made in centres in France, Germany and the UK.

Other plants will be retained to make non-standard components and to assemble the sets. The one remaining UK plant, at Basildon, will make decoders.

News Analysis Page 4

Court bid to block Mannesmann deal

BY DAVID LASCELLES IN NEW YORK

THE FEDERAL Trade Commission will ask the U.S. courts this week to block the proposed takeover by Mannesmann, the big West German steel concern, of Harnischfeger, the U.S. maker of mining equipment and cranes.

The Commission objects to the takeover on anti-trust grounds, and claims that it would seriously reduce competition in the U.S. market for electric wire, hoists and two types of cranes.

It wants the courts to delay completion of the takeover, which was agreed earlier this year to give it a chance to investigate the anti-trust charges further.

Mannesmann announced its bid for Harnischfeger in July, when it was the subject of a bid by Paccar, the maker of railway wagons and heavy-duty trucks Mannesmann topped Paccar's \$20 a share offer with a \$27.50 offer, giving the deal a total value of \$245m. The Harnischfeger Board later approved the Mannesmann bid.

However, at the beginning of August it appeared there would be difficulties with the U.S. authorities over the bid. Mannesmann announced that it had delayed its bid by 30 days to allow further discussions with the Commission. Evidently, those discussions were unsuccessful in resolving the Commission's objections, and the case is going to the courts.

Continued from Page 1

Industrial output

balance of companies reporting total order books below rather than above normal rose to 21 from 18 per cent in August. This compares with 12 per cent in July and 4 per cent in June.

Though the weakness in demand was widespread, the consumer goods sector had stronger order books than the capital and intermediate goods sectors, as in August.

There was a further weakening in export order books, with the balance of those reporting below — rather than above — normal totals at 31 per cent, compared with 10 per cent in June.

Proportion of companies on balance expecting to raise domestic prices in the next four months fell slightly from the high March-August levels of about 65 per cent to 58 per cent in September. This was the lowest figure since December.

FT Business Opinion Survey.

Weather

UK TODAY

DRY with sunny periods, cloudy at times.

England, Wales, Borders, Edinburgh and Dundee, Aberdeen, Moray Firth, Channel Isles, Isle of Man

Fog patches clearing by mid-morning. Dry with sunny periods. Max. 15C (59F).

Rest of Scotland, N. Ireland, Orkney, Shetland

Cloudy with occasional rain or drizzle. Max. 13C (55F).

Outlook: Mostly dry and warm in the south. Cloudy with a litle rain in the north.

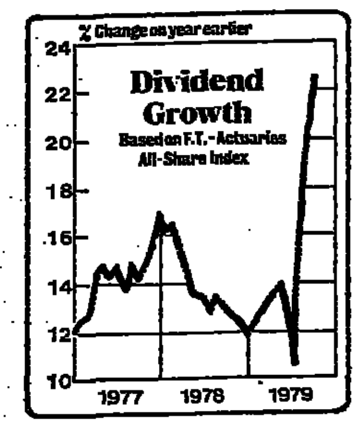
WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	24	75	Lisbon	S	23	73
Algiers	S	24	75	Locarno	S	20	68
Amsdm.	S	16	61	London	F	17	63
Athens	C	28	82	Los Ang.	C	25	77
Bahrain	C	35	95	Luxmbg.	F	15	59
Barclna.	S	23	73	Luxor	S	40	104
Beirut	F	25	77	Madrid	F	25	77
Belfast	C	12	54	Majorca	S	23	73
Belgrd.	C	17	63	Malaga	F	23	73
Berlin	F	14	57	Malta	F	25	77
Biarritz	C	20	68	M'chstr	C	15	59
Bmghm.	C	13	55	Melbne.	C	13	55
Blackpl.	C	15	59	Milan	S	21	70
Bordx.	C	17	63	Mntreal.	C	19	66
Boulgn.	S	17	63	Moscow	F	18	64
Bristol	C	15	59	Munich	F	14	57
Brussels	S	17	63	Naples	F	24	75
Budpst.	C	16	61	Nwcstl.	C	14	57
B. Aires	C	17	62	N. York	R	24	75
Cairo	S	37	99	Nice	S	23	73
Cardiff	C	14	57	Nicosia	S	31	88
Cas'b'ca	F	22	72	Oporto	F	18	64
Chicago	C	27	81	Oslo	S	11	52
Cologne	F	16	61	Paris	S	18	64
Cpnhgn.	S	13	55	Perth	F	21	76
Corfu	S	31	88	Prague	S	14	57
Dublin	C	13	55	Reykjvk.	R	11	52
Dbrvnk.	F	26	79	Rhodes	S	26	79
Ednbgh.	C	14	57	Rio J'o	C	25	77
Faro	S	22	72	Rome	S	24	75
Florence	S	24	75	Salzbrg.	F	16	61
Frankft.	S	17	63	S. 'cisco	F	21	70
Funchal	C	23	73	Singapr.	R	30	86
Geneva	S	17	63	Stckhm.	C	11	52
Gibrltr.	C	22	72	Strasb.	F	17	63
Glasgow	C	12	54	Sydney	C	20	68
G'rnsey	C	13	55	Tangier	F	23	73
Helsinki	F	8	47	Tenerife	C	18	64
H. Kong	F	28	82	Tokyo	R	20	68
Innsbrk.	F	19	66	Toronto	R	18	64
Invrnss.	S	15	59	Valencia	S	24	75
I.o.Man	C	14	57	Venice	F	21	70
Istanbul	C	24	75	Vienna	S	17	63
Jersey	C	14	57	Warsaw	F	13	55
Jo'burg	F	23	73	Zurich	C	14	57
L. Plms.	C	23	73				

C—Cloud, F—Fair, R—Rain, S—Sunny.

THE LEX COLUMN

The prospects for dividend growth



The aggregate pre-tax profits of the 35 biggest companies reporting interim figures last week fell by a tenth—yet none of them cut their dividend payments. On the contrary, nearly all increased their payout even when—like Fisons or European Ferries—they were disclosing sharply lower figures. Meanwhile the dividend growth, shown by the FT-Actuaries All-Share Index (which was artificially depressed earlier this year by the change in advance corporation tax) is now running at an annual rate of over 22 per cent.

However, these figures are inflated by some large increases from a handful of giant companies. Shell, BP and Unilever could between them boost total dividends by as much as 8 per cent this year. The scope for higher payments from some big engineers — most recently Vickers—has been thrown in doubt by industrial trouble, and not all companies will be able to avoid cuts. Watch this space for EMI later in the week.

The way things are going, dividend growth will tail off sharply in 1980, as profits slip and balance sheets come under pressure. Stockbrokers Phillips and Drew now expect an overall increase of no more than 5 per cent, which would be the lowest since 1970. Even so, a market yielding nearly 7 per cent on the basis of next year's dividends would not look over-valued in the context of the returns which are currently available on long dated gilts.

Decca

Decca's accounts tell a sad story of decline. Capital spending in 1978-79 was only marginally higher in money terms than in 1974-75, and in real terms sales were down by about a fifth. At the same time, inflation has been sucking cash into working capital. A big rise in advance payments limited the impact last year, but over a four year period working capital net or prepaid revenue has risen from 32 to 41 per cent of turnover.

The current position is made harder to assess by the fact that Decca makes no reference of any kind to inflation accounting. However the net cash outflow last year jumped from £8.7m to £14.7m, as a result of which net borrowings at the year end amounted to £44m—almost all short term—compared with shareholders funds of £63m. The position has presumably deteriorated since March, since it appears that Decca has still been in the red during the first five months of the current financial year.

These trends can hardly be allowed to continue for much longer without some kind of radical action. Meanwhile, there is one possibly revealing sidelight. According to the accounts, five people at Decca (including directors) received more than £12,500 last year. The comparable figure at Racal, which until a year ago was a smaller company in terms of sales, is 72.

Bank capital

Five years ago bank supervision in Britain amounted to little more than a friendly chat with the Bank of England once a year over a glass of sherry and the annual report. But the old idea of banks voluntarily agreeing to a set of gentlemanly rules has gone out of the window with the passing of the Banking Act. From now on the Handbook of Banking Supervision will be the banker's bible.

One area where the authorities are moving, or are being moved, towards a more closely defined approach is in the measurement of each individual bank's capital adequacy. The Bank of England published its initial thoughts on the subject in its September Bulletin in 1975. Since then very little has been heard on the subject but a paper, entitled "The Measurement of Capital," is now circulating among the banking community.

The Bank is suggesting that there should be two tests of capital adequacy. One, to which it attaches most importance, measures the adequacy of capital in relation to the scale of losses which may be sustained—a risk assets ratio. The other is designed to ensure that a bank's capital remains acceptable to its depositors. The Bank feels that at least one of its tests of capital adequacy should be constructed from information as far as possible readily available to the public.

Aside from indicating that general provision should now be considered part of bank capital and relaxing its views slightly on the role of loan stocks within a bank's capital structure, the major advance in the Bank's thinking concerns the gradation of risk assets. These have been divided into three categories: the credit risk; investment risk; and, finally, the forced sale risk. Each category of asset currently identifiable from the statistical returns has been reviewed and a factor representing a notional requirement for capital cover has been attached to it.

The factor attempts to reflect the relative risk of loss arising from credit or investment and forced sale risks. In the case of bank notes and ECGD lending, for example, there is no need for any capital over. But for plant and equipment and intangible assets, the Bank suggests that there should be 100 per cent capital cover.

The mooted classification of risk assets (38 in total) is no more than a proposal and there is no attempt to identify specific numerical guidelines for the ratios. But the Bank of England insists that over the longer term "certain standards must obtain."

Shell Oil

Even by oil company standards, Shell Oil's bid for Belridge Oil is on a breathtaking scale. It could cost up to \$3.6bn: for perspective, Shell Oil plans to spend about \$1.5bn on energy exploration and production this year and its net worth as of June amounted to under \$6.5bn. If the bid is financed entirely by debt, it would have a marked impact on the finances of the parent company, Royal Dutch/Shell. On the basis of the last balance sheet the debt ratio could rise from 31 to nearly 40 per cent, compared with an average of just under 30 per cent for "the seven sisters."

However, Shell Oil could certainly use the extra reserves, since it is heavily dependent on external supplies to meet its refinery requirements. Last year two-fifths of its net crude oil supply came from foreign sources and in the second quarter of this year it was short of between 120,000 and 140,000 barrels of crude a day.

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